

**Form 51-102F1 – For the Period Ended June 30, 2014**

**Management Discussion and Analysis**

**IC Potash Corp.**

**(Hereafter called “IC Potash”, the “Company”, or the “Corporation”)**

**(Containing information up to and including July 31, 2014)**

**Description of Management Discussion and Analysis**

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Corporation for the six months ended June 30, 2014 and the audited financial statements for the year ended December 31, 2013. This MD&A contains forward-looking information and statements, which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

All financial information is presented in Canadian dollars unless otherwise stated. All references to a year refer to the year-ended on December 31<sup>st</sup> of that year, and all references to a quarter refer to the quarter ended on June 30 of that year. The Corporation is a reporting issuer in Alberta, British Columbia, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and the Northwest Territories. The Corporation’s common shares trade on the TSX under the symbol “ICP” and on the OTCQX under the symbol “ICPTF”.

Unless otherwise noted, financial results are reported in accordance with International Financial Reporting Standards (“IFRS”). Further details are included in Note 2 of the condensed consolidated interim financial statements for the six months ended June 30, 2014.

Additional information related to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation’s website at [www.icpotash.com](http://www.icpotash.com).

**Company Overview**

IC Potash is a Canadian-based resource exploration company in the business of acquiring, exploring, and developing exploration and evaluation assets. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the ability of the Corporation to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production. It is the intention of the Corporation to obtain financing through access to public equity markets, debt and partnerships or joint ventures.

IC Potash owns 100% of Intercontinental Potash Corp. (“ICP”), a company involved in exploration for potash and potash-related minerals. On November 30, 2009, the Corporation completed a reverse-takeover (“RTO”) with ICP. Legally, IC Potash is the parent of ICP, but for financial reporting purposes, IC Potash is considered to be a continuation of ICP. IC Potash was consolidated commencing on December 1, 2009.

**Forward-Looking Statements**

This MD&A includes certain statements that may be deemed “forward-looking statements” as defined under applicable securities law. Other than statements of historical facts, statements in this discussion including, but not limited to, statements that address future production, reserve potential, exploration drilling, exploration activities, capital costs, operating production costs, the base case information in the Feasibility Study (as defined herein) and expected or anticipated events or developments are forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, market prices, exploration and evaluation successes or delays, continued availability of capital and financing, general economic, market or business conditions, the risk factors identified herein as well as those risk factors identified in the Corporation’s AIF dated March 25, 2014 and the fact that the Feasibility Study by its nature includes only estimates

and projections, the certainty and accuracy of which can only be determined once actual production commences and results are obtained. Although the Corporation believes the expectations expressed in any forward-looking statement are based on reasonable assumptions, investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements.

### **Management's Responsibility for Financial Statements**

The Company's management is responsible for the presentation and preparation of quarterly condensed consolidated interim financial statements and the MD&A. The condensed consolidated interim financial statements have been prepared in accordance with IFRS. The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

### **Description of Properties**

#### ***Ochoa Project***

The Company is focused on the exploration for and development of potassium fertilizer minerals in the southwest United States with particular emphasis on Sulphate of Potash ("SOP") and future development of Sulphate of Potash Magnesia ("SOPM"). The Company intends to develop a polyhalite mine at its Ochoa property in Lea County, New Mexico (the "Ochoa Project").

Polyhalite is an evaporite mineral containing potassium, magnesium, sulphate and calcium, all important plant nutrients. The Company is focused on becoming a bottom quartile cost producer of SOP in the world. The Company's initial analysis is that polyhalite can be used as a feedstock to produce SOP on a cost effective basis. The Company estimates that SOP has an established market size of approximately six million tonnes per year, of which approximately four million tonnes are outside China. SOP is a widely used fertilizer in the fruit, vegetable, tobacco and horticultural industries in saline and dry soils. Demand is strong in countries where there is a significant amount of agriculture with a wide variety of crops such as in China, India, the Mediterranean and the United States.

The Company intends to develop the Ochoa Project into a world-class production and distribution facility. The Company's core corporate objectives include:

1. Producing and distributing premium-priced SOP that typically sells for a substantial premium over traditional potash, i.e., Muriate of Potash ("MOP");
2. Producing SOP at a bottom quartile cost globally and leveraging this advantage to enter into existing and new markets;
3. Developing a processing facility that can be increased in scale with a low incremental capital cost; and
4. Developing strong relationships with project stakeholders and delivering net benefits to the community at large.

Through its indirect wholly-owned subsidiary, Intercontinental Potash Corp. (USA) ("ICP(USA)"), the Company holds a 100% interest in the Ochoa Project. As of the date of this MD&A, the Ochoa Project is comprised of 28 U.S. Department of the Interior Bureau of Land Management ("BLM") federal potassium prospecting permits ("Prospecting Permits") covering approximately 61,983 acres and 18 New Mexico State Land Office mining leases ("NMSLO Leases") covering approximately 27,804 acres in southeast New Mexico.

Each BLM Prospecting Permit has a term of two years, renewable for an additional two years, and is convertible to a Preference Right Lease ("PRL") upon demonstration to the satisfaction of BLM that a valuable deposit has been discovered and that the land is more valuable for the development of its potassium content than for any non-mineral land use. Currently, all of the Prospecting Permits are for mineral exploration purposes. No further annual rent payments are required on fifteen of the Prospecting Permits that expired on December 1, 2012 (ten of which are protected as part of the PRL application described below and five of which were relinquished in Q1 of 2013) and the

one permit that was relinquished prior to expiry on December 1, 2012. Five Prospecting Permits expired on March 1, 2014, thus no further rent payments will be required for those Permits, all of which were included in the PRL application. The final rent payment that was due on April 1, 2014 was made for the 13 Prospecting Permits that will expire on April 1, 2015, of which 11 were included in the PRL application. The Company issued 500,000 common shares (“Common Shares”) during 2009 as part of the acquisition of the BLM permits. The Company also paid US\$50,000 into a Permit Bond that may be refundable if certain prospecting permit and reclamation requirements are satisfied.

The Company has applied to convert 26 BLM Prospecting Permits, on any portion of which we have demonstrated measured or indicated resources, to PRLs, which do not expire, but are subject to readjustment by the BLM every 20 years. The BLM has accepted ICP’s application to convert these 26 Prospecting Permits to PRLs. The following Prospecting Permits are in transition to PRLs: ten permits obtained on December 1, 2008; five permits obtained on March 1, 2010; and eleven permits obtained on April 1, 2011. By accepting ICP’s application to convert these Prospecting Permits to PRLs, these Prospecting Permits will not lapse during the period required to obtain permits for development, which is estimated to take approximately three to six months. These PRLs will be issued after the BLM issues the Record of Decision (which was issued on April 10, 2014) and the BLM completes their economic evaluation of the deposit that the Company intends to mine. The BLM can only grant a PRL after the applicant demonstrates the existence of a valuable deposit. The Company’s mineral rights are maintained until the BLM makes the decision whether or not to issue the PRLs. Two of the Prospecting Permits that expire on April 1, 2015 that were not part of the application for PRLs are expected to have polyhalite deposits and ICP has the opportunity to do further drilling and evaluation to demonstrate measured or indicated resources on those Prospecting Permits and apply for related PRLs before they lapse. Six Prospecting Permits that have no indication of sufficient mineralization were relinquished (one in late 2012 and five in early 2013).

The NMSLO Leases have a term of ten years with subsequent ten year renewals if, over three consecutive years during the term, the average annual production is not below the amount necessary to generate the minimum royalty required. The Company has posted a US\$25,000 MegaBond that may be refundable if certain prospecting and reclamation requirements are satisfied for performance and surface or improvement damage in respect of the NMSLO Leases. The annual rent that was due on or before May 24, 2014 was paid and the next annual rent of approximately US\$26,000 in the aggregate is due on May 24, 2015 for 17 of the NMSLO leases. One new NMSLO Lease was obtained on January 15, 2013 for which the annual rent of approximately US\$1,915 that was due on January 15, 2014 has been paid. The Company has entered the period of “Operations After Discovery”, as acknowledged in letters from the NMSLO on February 7, 2012 and July 26, 2013, which indicate that the Company has sufficiently demonstrated discovery of minerals in commercial quantities and that no further exploration is required to maintain the NMSLO Leases.

Pursuant to private agreements, a 3% Overriding Royalty (the “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 a 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 to the State of New Mexico Commissioner of Public Lands on the 17 NMSLO leases that commenced in 2010 and the one NMSLO Lease that commenced in 2013 along with an annual rental charge of US\$1 per acre. The minimum advance royalty payments that were due on or before January 15, 2014 and May 24, 2014 were made and the next minimum advance royalty payments are due on or before January 15, 2015 and May 24, 2015. 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 BLM Preference Right Leases, minimum royalty payments of US\$3 per acre, due in advance before January 1 of each year, 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 PRLs.

The Company has applied for five additional BLM Prospecting Permits covering approximately 9,124 acres and two additional BLM Prospecting Permits covering approximately 3,360 acres in New Mexico. These new BLM Prospecting Permits will be subject to the royalties pursuant to the private agreements as well as federal royalties

determined by future negotiation with BLM once the Ochoa Project comes into production. The Company believes that these mineral estates may be prospective for polyhalite and other potash minerals and, if obtained, will form part of the Ochoa Project, increasing the Ochoa Project's total mineral estate to approximately 102,000 acres. In October 2013, the Company received a letter offering the 7 additional BLM Prospecting Permits subject to certain conditions; however these BLM Prospecting Permits have not yet been issued to the Company.

## **Water**

The Corporation has established the characteristics of the groundwater supply for the Ochoa Project. Using conventional drilling techniques, ICP intends to use a brackish and non-potable water supply from two wells, which the Company has drilled to approximately 5,400 feet deep. The target water-producing zone is the Permian-age Capitan Reef ("Capitan Reef"), a confined aquifer that is recognized by the New Mexico Office of the State Engineer and U.S. Geological Survey as a significant brackish water resource with a history of industrial use. The Capitan Reef is geologically separated from shallow, fresh-water aquifers in the vicinity of the Ochoa Project. By supplying the Ochoa Project with deep and salty water that is not in use for domestic, municipal, agricultural, or other uses, ICP will secure water resources without competing with the surrounding communities' needs for water.

In September 2012, the Company announced the completion of an aquifer test using the two water wells drilled by the Company earlier in the year. The test successfully demonstrated the desired pumping capacity of these two wells and provided data used to develop and calibrate a numeric groundwater flow model. In March 2013, the Company completed a bench-scale test to evaluate the processing plant's planned Reverse Osmosis system on water drawn from the Capitan Reef. These results validated the ability to achieve the desired permeate recovery process.

In June 2013, the Company announced that the U.S. Army Corps of Engineers ("Corps") issued a Jurisdictional Determination confirming that there are no Waters of the United States on the Ochoa Project site. The Corps determined that the Project area is comprised entirely of uplands and upland drainage, therefore seeking certain federal permits relating to water will not be required and the Company will not require the Corps' authorization to proceed with constructing the mine and processing plant, nor will it be subject to ongoing monitoring once in commercial operations.

In September 2013, the Company was notified by the New Mexico Office of the State Engineer that the Company has met the requirements of state statute NMSA 72-12-25 through 72-12-28 and may appropriate water from the Capitan Reef for mining and industrial use by the Ochoa Project, so long as the Company complies with the standard metering and reporting requirements as detailed in the confirmation letter. This letter gives the Company full right to utilize up to 2,000 gallons per minute of deep, non-potable water, culminating nearly three years of well drilling and well testing, modeling, water treatment test work and permitting. The water will be treated by reverse osmosis to reduce dissolved solids to the extent required for process water to be used in the leaching and crystallization processes required to produce SOP. The Company filed a second notice of intent to drill an additional six wells to appropriate an additional amount of up to 2,000 gallons per minute of deep, non-potable water from the Capitan aquifer to cover the remaining supply needs for the Project. In November 2013, the notice was published in newspapers of general circulation in both Lea and Eddy Counties once a week for three consecutive weeks following the requirements of NMSA 1978, §72-12-26. No actions were taken by any person in response to this second notice. The additional wells will be drilled during the construction phase of the Project. The water will be treated by reverse osmosis to reduce dissolved solids to the extent required for process water to be used in the leaching and crystallization processes required to produce SOP.

## **Pilot Test**

In September 2013, the Company and Veolia Water Solutions and Technologies North America, Inc. successfully completed the initial pilot plant testing in connection with the processing of Polyhalite ore into SOP. Continuous pilot plant testing was done on the leaching and evaporation/crystallization circuits. Separate, individual pilot scale tests were carried out on the other unit operations. The pilot tests demonstrated the robust nature of the flow sheet and economic conversion of Polyhalite to SOP. The results were very positive, being consistent with the effective and efficient processing of Polyhalite ore into various grades of SOP, and were incorporated into the Feasibility Study with respect to final equipment selection and sizing and the computation of projected capital costs and operating costs. Pilot testing includes the crushing, grinding, washing and dewatering of mined ore; calcination, which is the controlled heating to remove entrapped water thereby increasing ore solubility; leaching of the calcined

ore and the crystallization of SOP. Pilot plant operation confirmed that the process is technically and economically viable on a continuous basis. Portions of this process are covered by U.S. Patent 8,551,429, with other U.S. and foreign patents pending.

### **Feasibility Study**

A National Instrument 43-101 (“NI 43-101”) compliant Pre-Feasibility Study (“PFS”) was filed on SEDAR in December 2011. On January 23, 2014 the Corporation announced completion of its Feasibility Study (the “Study”) and the related Technical Report entitled “NI 43-101 Technical Report, Ochoa Project Feasibility Study, Lea County, New Mexico, USA” (effective January 9, 2014) (the “NI 43-101 Technical Report”) was dated and filed on SEDAR on March 7, 2014. The Study projects an economically viable mining and processing facility with the capacity and reserves to produce 714,400 tons of SOP per year for a minimum of 50 years. The Study recommends that the Company move to implementation by commencing engineering, procurement, and construction management (“EPCM”) activities, completing environmental permitting, and arranging Project financing.

The Study was prepared by a group of leading international independent engineering, process design, and equipment supply companies led by SNC-Lavalin Inc. (“SNC-Lavalin”). SNC-Lavalin is a world leader in the consulting, design, engineering, and construction of mining projects around the world, with specific expertise in potash mining, processing, and distribution. The Feasibility Study projects the following base case information:

- The capital cost of the Project is estimated to be \$1,018 million, with an accuracy of +/-15%.
- The after-tax Net Present Value (“NPV”) is US\$612 million and the after-tax internal rate of return is 16%, using an after tax discount rate of 10% and no debt. The after-tax NPV is US\$1.019 billion, using an after-tax discount rate of 8% and no debt.
- Steady-state operating production cost is estimated to be US\$195 per ton of SOP.
- The financial model covers approximately three years of construction and commissioning beginning in Q2 2014 and continuing through Q2 2017, followed by 50 years of operation. SOP production in 2017 is estimated at 48% of annual capacity, with full capacity expected in 2018.
- The plant is designed to operate 7,912 hours annually and employ approximately 400 people at full production.

Over 70,000 feet of exploration drilling has been completed to date. Additionally, 855 petroleum wells were incorporated into the model (for stratigraphy correlation and bed thickness only) through geophysical logging. A higher minimum polyhalite grade (66%) was defined for the Mineral Reserves to ensure compliance with the Mineral Resource cutoff grade (65%) when developing mine projections.

The Study identifies Mineral Reserves of 182.4 million tons (125 million tons proven and 57.4 million tons probable at an average grade of 78.05% by weight polyhalite) and Mineral Resources (4-foot minimum thickness) of 1,017.8 million tons (511.7 million tons measured and 506 million tons indicated at an average grade of 83.9% by weight polyhalite). Mineral Resources are inclusive of Mineral Reserves.

Measured and Indicated Mineral Resources exist to the north, east, and west of the 50-year mine plan boundary and there is a reasonable expectation that those resources will be economically mineable, which would allow for an extension of mining operations beyond 50 years. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

### **Environment and Permitting**

On February 28, 2014, the U.S. Environmental Protection Agency published a Notice of Availability (the “NOA”) of the Final Environmental Impact Statement (“FEIS”) in the Federal Register. The FEIS is a disclosure document prepared by the BLM that describes the potential adverse or beneficial environmental and social impacts – direct, indirect, or cumulative – that could result from the development of the Ochoa Project. The FEIS was prepared to

assist the BLM in reaching a decision on whether to approve the Company's Mine Plan of Operations, requested rights-of-way and preference right leases; and if so, under what conditions.

Following publication of the NOA and the standard 30-day availability period, the BLM published a signed Record of Decision (the "ROD") on April 10, 2014 to mark the completion of the NEPA compliance process. The ROD authorizes ICP to construct and operate its 100%-owned Ochoa Project, including all mining and processing facilities located in southeast New Mexico, U.S.A. The signed ROD marks the final decision made by the BLM based on the analysis described in the FEIS. Based on more than two years of careful and comprehensive study of water resources, cultural resources, natural resources, air quality and other resources, the BLM issued their decision approving the construction and operation of the Project and granting the requested rights of way for the Project facilities.

In parallel with the EIS process, the Company also submitted an air quality permit application for construction to the New Mexico Environment Department Air Quality Bureau ("NMED AQB"). This application was ruled administratively complete by the NMED AQB on December 13, 2013, and technical review is expected to be completed in the third quarter of 2014.

All scientific and technical disclosure within this document has been prepared under the supervision of Richard Beauchamp, an employee of ICP, who is a Qualified Person within the meaning of National Instrument 43-101. Mr. Beauchamp makes no warranties or guarantees in regards to any financial disclosures within this document as they have been prepared by others.

### **Summary of Quarterly Results**

Selected quarterly financial information of the Corporation for the quarters ended June 30, 2014 is as follows:

#### **Table of Results for the Quarters to June 30, 2014**

	<b>Jun 30 2014</b>	<b>Mar 31 2014</b>	<b>Dec 31 2013</b>	<b>Sep 30 2013</b>
Total assets	\$ 67,174,596	\$ 69,084,103	\$ 71,611,255	\$ 68,494,580
Exploration and evaluation assets	\$ 60,882,419	\$ 59,913,392	\$ 58,418,645	\$ 55,198,051
Working capital	\$ 5,498,099	\$ 8,176,899	\$ 11,331,723	\$ 10,933,695
Shareholders' equity	\$ 66,311,806	\$ 68,078,115	\$ 69,380,243	\$ 66,035,839
Interest income	\$ 13,145	\$ 19,767	\$ 10,233	\$ 24,069
Net loss	\$ (2,322,835)	\$ (1,302,128)	\$ (1,092,861)	\$ (1,955,587)
Basic loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Fully diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

Selected quarterly financial information of the Corporation for the quarters ended June 30, 2013 is as follows:

#### **Table of Results for the Quarters to June 30, 2013**

	<b>Jun 30 2013</b>	<b>Mar 31 2013</b>	<b>Dec 31 2012</b>	<b>Sep 30 2012</b>
Total assets	\$ 70,063,505	\$ 72,398,735	\$ 74,376,459	\$ 76,317,441
Exploration and evaluation assets	\$ 51,250,811	\$ 46,932,606	\$ 37,225,214	\$ 29,369,391
Working capital	\$ 16,512,326	\$ 21,904,684	\$ 33,115,401	\$ 42,617,587
Shareholders' equity	\$ 67,991,426	\$ 68,723,389	\$ 70,617,214	\$ 72,399,345
Interest income	\$ 25,102	\$ 33,880	\$ 58,972	\$ 81,707
Net loss	\$ (1,461,068)	\$ (1,893,825)	\$ (2,201,302)	\$ (2,306,182)
Basic loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Fully diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)

## **Results of Operations for the Quarter ended June 30, 2014**

The Corporation did not generate operating revenue during the quarter ended June 30, 2014, as all of the operating activities of the Corporation were directed towards acquisition, exploration and development during the quarter.

### ***Ochoa property***

Total costs incurred on the project during the quarter amounted to \$969,027 of which \$139,014 was for acquisition costs and \$830,013 was for exploration costs. Included in exploration costs was \$289,831 for work related to advanced engineering. At June 30, 2014, the Corporation had expended \$60,882,419 in respect of the Ochoa Project.

### **Office and Administration Expenses**

Administration and related costs amounted to \$131,657 (2013 – \$200,477) for the quarter. This included meeting costs, director fees, telephone, postage and courier, dues and subscriptions, stationery, repairs and maintenance, office security, utilities and related costs. The decrease is partly due to fewer employees and consultants.

Business development and market development spending was \$670,808 (2013 - \$87,254). Business development costs included activities related to the search for joint venture partners and product distributors as well as political contributions and public/community relations.

Non-project related consulting fees in the quarter were \$24,414 (2013 – \$343,400); this was mostly in respect of IT consulting. Prior year costs also included financial consulting, accounting consulting, human resources consulting, and management services of the Executive VP of Administration.

Depreciation during the quarter amounted to \$15,999 (2013 - \$22,857). This relates to depreciation in respect of furniture and fixtures, computer equipment, exploration equipment, and vehicles.

Investor relations cost in the quarter was \$190,834 (2013 – \$115,487). Investor relations costs increased due to increased activity related to project financing.

Professional fees of \$170,853 (2013 – \$275,823) for the quarter were incurred mostly in respect of auditing costs, other accounting costs, and legal costs.

Regulatory fees including transfer agent and filing fees and TSX fees were \$10,534 (2013 - \$13,853).

Rent and storage in the quarter were \$18,041 (2013 - \$26,723). In 2014, the costs decreased because a corporate apartment lease expired.

Share-based compensation for the quarter was \$490,880 (2013 - \$nil), which increased because stock options were granted in the quarter.

Travel, meals, and related costs for the quarter amounted to \$57,428 (2013 – \$106,964) and were composed of such costs not specifically related to exploration projects or investor relations and business development. The decrease is because a higher percentage of travel related to the project and business development and because fewer employees were traveling compared to 2013.

Wages and benefits for the quarter amounted to \$492,315 (2013 – \$569,885). This amount included the salaries, bonuses, training and employment related costs of the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Controllers, Executive Vice President, Senior Vice Presidents, and management

and administrative staff in Canada and in USA in IC Potash and ICP and their subsidiaries. \$212,885 (2013 - \$349,117) of wages were capitalized to the Ochoa Project in the quarter. Capitalized wages decreased because fewer employees are working on the project now that the Feasibility Study is complete.

Interest income for the quarter was \$13,145 (2013 - \$25,102) earned from cash invested in Term Deposits. Interest income decreased because less money was invested during the quarter.

### **Financings**

During the quarter ended June 30, 2014, the Company issued 246,570 common shares at \$0.287 per share pursuant to a new consulting contract at a value of \$70,766.

During the quarter ended June 30, 2013, 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.

### **Liquidity and Capital Resources at June 30, 2014**

At June 30, 2014, the Corporation's working capital was \$5,498,099 (2013 - \$16,512,326). The sources of cash in the quarter included cash from interest earned on term deposits.

At the date of this MD&A, the management of the Corporation expects its current capital resources will be sufficient to fund administrative operations for at least 12 months. The Company intends to raise additional funds during the next 12 months so that all project plans can be fully executed during the next 12 months and full operating capacity can be maintained. If funds are not raised in the next 12 months, activity levels may be decreased to conserve cash. As at June 30, 2014, the Corporation had a cash balance of \$5,680,605 (2013 - \$17,812,277) to settle current liabilities of \$549,161 (2013 - \$1,479,270). The Corporation's ability to remain liquid over the long term depends on its ability to obtain additional financing. At this time, the Corporation has enough cash to pay all of its current liabilities. There can be no assurance that the Corporation will be able to obtain sufficient capital in the case of operating cash deficits. The Corporation has no long term debt. The Corporation will incur rental expense of USD\$89,748 and CAD\$19,080 from July 2014 to March 2015.

### **Transactions with Related Parties**

During the quarter ended June 30, 2014, the Company entered into the following transactions with related parties:

- a) Paid or accrued short-term employee benefits of \$403,299 (2013 - \$516,890), of which \$130,833 (2013 - \$122,500) was paid to Sidney Himmel, \$50,000 (2013 - \$55,000) was paid to Kevin Strong, \$61,341 (2013 - \$102,330) was paid to Randy Foote, \$nil (2013 - \$76,748) was paid to Terre Lane, \$57,255 (2013-\$49,886) was paid to Tom Cope, \$nil (2013 - \$110,516) was paid to Bob Mueller, and \$103,870 (2013 - \$nil) was paid to Richard Beauchamp.
- b) Paid or accrued directors' fees, included in administrative costs, of \$46,875 (2013 - \$62,500), of which \$9,375 (2013 - \$12,500) was paid to George Poling, \$9,375 (2013 - \$12,500) was paid to Pierre Pettigrew, \$9,375 (2013 - \$12,500) was paid to Anthony Grey, \$9,375 (2013 - \$12,500) was paid to Ernest Angelo, and \$9,375 (2013 - \$12,500) was paid to Knute Lee.
- c) Incurred share-based compensation in the form of the grant of stock options valued at \$487,807 (2013 - \$nil) of which \$116,459 (2013 - \$nil) was to Sidney Himmel, \$77,639 (2013 - \$nil) was to George Poling, \$77,639 (2013 - \$nil) was to Pierre Pettigrew, \$77,639 (2013 - \$nil) was to Ernest Angelo, \$19,487 (2013 - \$nil) was to Knute Lee, \$77,639 (2013 - \$nil) was to Anthony Grey, \$23,292 (2013 - \$nil) was to Kevin Strong, and \$18,013 (2013 - \$nil) was to Richard Beauchamp.
- d) Included in accounts payable as at June 30, 2014 is \$30,828 (2013 - \$92,477) due to key management personnel, which includes officers and directors and corporations controlled by officers and directors.



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

	Quarter-ended	
	June 30, 2014	June 30, 2013
Short-term benefits	\$403,299	\$516,890
Directors' fees	46,875	62,500
Share-based compensation	487,807	-
<b>Total remuneration</b>	<b>\$937,981</b>	<b>\$579,390</b>

During the six month period ended June 30, 2014, the Company entered into the following transactions with related parties:

- Paid or accrued short-term employee benefits of \$737,119 (2013 - \$1,007,027), of which \$228,333 (2013 - \$245,000) was paid to Sidney Himmel, \$100,000 (2013 - \$110,000) was paid to Kevin Strong, \$139,951 (2013 - \$178,748) was paid to Randy Foote, \$nil (2013 - \$153,165) was paid to Terre Lane, \$105,662 (2013 - \$99,557) was paid to Tom Cope, \$nil (2013 - \$220,558) was paid to Bob Mueller, and \$163,173 (2013 - \$nil) was paid to Richard Beauchamp.
- Paid or accrued directors' fees, included in administrative costs, of \$93,750 (2013 - \$125,000), of which \$18,750 (2013 - \$25,000) was paid to George Poling, \$18,750 (2013 - \$25,000) was paid to Pierre Pettigrew, \$18,750 (2013 - \$25,000) was paid to Anthony Grey, \$18,750 (2013 - \$25,000) was paid to Ernest Angelo, and \$18,750 (2013 - \$25,000) was paid to Knute Lee.
- Incurred share-based compensation in the form of the grant of stock options valued at \$487,807 (2013 - \$nil) of which \$116,459 (2013 - \$nil) was to Sidney Himmel, \$77,639 (2013 - \$nil) was to George Poling, \$77,639 (2013 - \$nil) was to Pierre Pettigrew, \$77,639 (2013 - \$nil) was to Ernest Angelo, \$19,487 (2013 - \$nil) was to Knute Lee, \$77,639 (2013 - \$nil) was to Anthony Grey, \$23,292 (2013 - \$nil) was to Kevin Strong, and \$18,013 (2013 - \$nil) was to Richard Beauchamp.

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

	Six months ended	
	June 30, 2014	June 30, 2013
Short-term benefits	\$ 737,119	\$1,007,027
Directors' fees	93,750	125,000
Share-based compensation	487,807	-
<b>Total remuneration</b>	<b>\$1,318,676</b>	<b>\$1,132,027</b>

## **Financial Instruments**

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.

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.

## **Other**

### ***Outstanding Share data as at July 31, 2014:***

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No Par Value	Unlimited	172,774,654

Number of shares held in escrow is nil (July 25, 2013 – nil).

(b) Summary of Options outstanding as at July 31, 2014:

950,000	0.50	September 19, 2015
56,000	0.35	October 24, 2015
450,000	0.58	November 8, 2015
100,000	0.80	November 22, 2015
500,000	1.42	January 13, 2016
1,000,000	1.40	March 17, 2016
335,000	1.06	May 9, 2016
963,750	1.07	October 17, 2016
100,000	1.03	February 23, 2017
2,400,000	0.90	April 26, 2017
200,000	0.76	October 31, 2017
100,000	0.71	December 5, 2017
200,000	0.35	April 24, 2019 *
<u>3,025,500</u>	0.40	June 18, 2019
<u>12,554,750</u>		

\* 100,000 options vest on April 24, 2015

(c) Summary of Warrants outstanding as at July 31, 2014:

Number of Warrants	Exercise Price	Expiry Date
10,000,000	0.35	June 18, 2015
1,336,000	0.26	December 18, 2014
<u>11,336,000</u>		

### **Accounting Principles**

The financial statements have been prepared in accordance with IFRS.

The policies and estimates are considered appropriate under the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process. See also Note 2 in the condensed consolidated interim financial statements for the six months ended June 30, 2014 for additional detail on accounting principles.

### **New standards, amendments and interpretations:**

#### *Financial instruments*

IFRS 9 - Financial Instruments: Classification and Measurement, IASB has tentatively decided to require an entity to apply IFRS for annual periods beginning in or after January 1, 2018, 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, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

### **Risks and Uncertainties**

#### *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 consists of chequing accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada and up to \$250,000 in the United States. Receivables consist of amounts due from government agencies and financial institutions.

#### *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. The company intends to raise additional funds during the next year so that all project plans can be fully executed during the next 12 months and full operating capacity maintained. As at June 30, 2014, the Company had a cash balance of \$5,680,605 to settle current liabilities of \$549,161.

#### *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 investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates. A 1% change in the interest rate would have had approximately a \$10,000 impact on interest income for the quarter.

### *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 approximately a \$25,226 impact on foreign exchange gain or loss for the quarter.

### *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, including SOP. 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.

### *Other risks*

The Company's only material property is the Ochoa Project. As a result, unless it acquires additional property interests, any adverse developments affecting the Ochoa Project could have a material adverse effect on the Company and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations.

Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The exploration and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not be successful in overcoming. Few exploration and evaluation assets which are explored ultimately develop into producing mines. There has been no commercial production of minerals on properties held by the Corporation to date and there is a high degree of risk that commercial production of minerals will not be achieved. There is no certainty that the expenditures made towards the search and evaluation of mineral resources will result in discoveries of commercial quantities of any minerals.

The Corporation has a limited history of operations and no material earnings to date and there can be no assurance that the business of the Corporation will be successful or profitable. No dividends have been paid to date. Payment of any future dividends, if any, will be at the discretion of the Company's board of directors.

There are many risks associated with the Ochoa Project that were identified in the PFS, including: (i) process plant may be more expensive than anticipated as this would be the first large scale plant to convert polyhalite into SOP; (ii) product quality must be consistent over long periods of time; (iii) capital costs may increase due to heavy demand in mining equipment; (iv) major suppliers may undercut prices to prevent additional competition; (v) the SOP market may be more difficult to develop than anticipated; (vi) permitting, bonding, and permit requirements may increase the capital requirements, and increase the time necessary to develop the project or make it impractical or impossible to operate; and (vii) water for mining and processing may become more difficult or expensive to obtain.

The results of the Feasibility Study are used to determine the economic viability of a deposit. While the Feasibility Study is based on the best information available to the Company for the level of study, the Company cannot be certain that actual capital and operating costs will not significantly exceed the estimated cost in the Feasibility Study and that the other assumptions on which the Feasibility Study is based will be accurate. While the Company incorporates what it believes is an appropriate contingency factor in cost estimates and other assumptions contained in the Feasibility Study to account for this uncertainty, there can be no assurance that the contingency factor is

adequate. Projections including, but not limited to, capital costs, operation production cost, production capacity, mine life and construction timing included in the Feasibility Study are forward-looking statements and are subject to change. The Feasibility Study included only SOP as the primary product.

While the process involved in converting polyhalite to SOP has been demonstrated in previous pilot-scale tests, and each of the unit operations has been used on an industrial scale, the Ochoa Project, if advanced to the stage of production, would be the first industrial scale operation to convert polyhalite to SOP. Testing and engineering efforts have been completed and are continuing to define the optimum process and for equipment selection. There can be no assurance that such process optimization will be achieved. In addition, as various designs are considered and tested, the projected mining, transportation and administrative functions may be affected. Therefore, capital and operating costs may be subject to change.

Additional studies are recommended to determine the optimal methods by which polyhalite may be converted to SOP. There can be no assurances that such optimal conversion methods will be identified. The Corporation is considering several business models with different mining methods, metallurgical processing methods, and logistics methods. Changes to disclosed or planned mining methods, metallurgical processing methods, or logistics and transportation methods could affect projected capital and operating costs.

The area is an active production area for oil and gas companies and there are numerous active and plugged oil and gas wells within the mine plan. These hydrocarbon operations need to be considered as mining is planned and as mining proceeds. If commercially reasonable co-production strategies and agreements cannot be finalized with any individual oil & gas producer, the Company may be required to mine at a reduced extraction rate or to mine in a different area of the mine.

Locating commercially valuable mineral deposits and developing a mine depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The mining industry is intensely competitive. The commercial viability of a mineral deposit depends on a number of factors including the particular attributes of the deposits (principally size and grade), proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes mineral prices to fluctuate substantially over short periods of time. There can be no assurance that the minerals can be marketed profitably or in such a manner as to provide an adequate return on invested capital.

The operations of the Corporation are subject to all of the risks normally associated with the operation and development of exploration and evaluation assets and the development of a mine, including encountering unexpected formations or pressures, caving, flooding, fires and other hazards, all of which could result in personal injuries, loss of life and damage to property of the Corporation and others. In accordance with customary industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Interference in the maintenance or provision of adequate infrastructure (such as roads, bridges, power sources, fuel and water supply and the availability of skilled labour) could adversely affect the Corporation's operations, financial condition and results of operations.

The operations of the Corporation's properties will be subject to various laws and regulations relating to taxation, labor, safety, the environment, prospecting, development, production, waste disposal and other matters. Amendments to current laws and regulations governing activities related to the Corporation's exploration and evaluation assets may have material adverse impact on operations. The Corporation has paid all site reclamation costs or posted site reclamation bonds with the appropriate government agencies. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the operations of the Corporation. There can be no assurance that the Corporation will not incur substantial financial obligations in connection with environmental compliance. There is no assurance that the necessary environmental and operating permits will be obtained. Failure to comply with applicable environmental and other laws, regulations and permitting requirements may result in enforcement actions.

The Corporation will need additional funding to complete its short and long term objectives. The ability of the Corporation to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Corporation. Current global financial conditions have been subject to increased volatility as a result of which access to public financing has been negatively impacted. There can be no assurances

that the Corporation will be successful in its efforts to raise additional financing on terms satisfactory to the Corporation. The market price of the Corporation's shares at any given point in time may not accurately reflect the long-term value. If adequate funds are not available or not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

To the extent of the holdings of IC Potash through its subsidiaries (including ICP), the Corporation will be dependent on the cash flows of these subsidiaries to meet its obligations, which cash flows may be constrained by applicable taxation and other restrictions.

The Corporation is dependent upon the services of key executives, including the Chief Executive Officer.

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in mineral exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

Other risks can be found in the Corporation's Annual Information Form dated March 25, 2014, and the NI 43-101 Technical Report, which are available at [www.sedar.com](http://www.sedar.com).

### **Management's Report on Internal Controls**

Disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of DC&P. There have been no changes in the Company's DC&P during the quarter ended June 30, 2014.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with applicable IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. There have been no changes in the Company's internal control over financial reporting during the three month period ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Corporation's controls are based on the COSO framework. COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a joint initiative of the American Accounting Association, the American Institute of Certified Public Accountants, Financial Executives International, the Association of Accountants and Financial Professionals in Business and the Institute of Internal Auditors dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

### **Corporate Governance Practices**

The disclosure required pursuant to National Instrument 58-101-Disclosure of Corporate Governance Practices was made by the Corporation in its Management Information Circular which was mailed to shareholders and is accessible via the Internet for public viewing on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

**Other Information**

The Corporation's web site address is [www.icpotash.com](http://www.icpotash.com). Other information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).