

**Form 51-102F1 – For the Period Ended March 31, 2015**

**Management Discussion and Analysis**

**IC Potash Corp.**

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

**(Containing information up to and including May 7, 2015)**

**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 three months ended March 31, 2015, and the audited consolidated financial statements of the year ended December 31, 2014. 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 United States 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 March 31<sup>st</sup> 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 three months ended March 31, 2015.

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 developing mineral assets. The recovery of the amounts comprising development assets are dependent upon the ability of the Corporation to obtain necessary financing to successfully complete the development of those reserves and upon future profitable production. It is the intention of the Corporation to obtain financing through access to public and private 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 Annual Information Form (AIF) dated February 25, 2015 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 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 development of a polyhalite mine and processing facility at its Ochoa property in Lea County, New Mexico (the "Ochoa Project"). The processing facility will convert polyhalite into Sulphate of Potash ("SOP").

Polyhalite is an evaporite mineral containing potassium, magnesium, sulphate and calcium, all important plant nutrients. The Company is focused on becoming a lowest 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 profitable 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 and is preferred for the fruit, vegetable, tobacco and horticultural industries as well as 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 quality SOP that typically sells for a substantial premium over traditional potash, i.e. Muriate of Potash ("MOP");
2. Producing SOP at a lowest 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. ICP(USA) has issued convertible preferred shares, which on maturity on November 21, 2016 or upon certain deemed liquidation events, provide one shareholder the option to convert them into an undiluted 7.8% of the common shares of ICP(USA) then outstanding.

As of the date of this MD&A, the Ochoa Project contains approximately 98,511 acres comprised of U.S. Department of the Interior Bureau of Land Management ("BLM") federal Preference Right Potassium Leases ("PRL") covering approximately 14,774 acres, New Mexico State Land Office mining leases ("NMSLO Leases") covering approximately 27,804 acres and BLM federal potassium prospecting permits ("Prospecting Permits") covering approximately 55,933 acres.

Each BLM Prospecting Permit has a term of two years, renewable for an additional two years, and is convertible to a PRL upon demonstration to the satisfaction of BLM proving 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. The

Company applied to convert 58,223 acres of Prospecting Permitted lands to PRLs, which do not expire, but are subject to renewal by the BLM every 20 years. The mineral rights for the 50 year mine plan (14,774 acres) were granted PRL status in October 2014 with an effective date of November 1, 2014. The remaining 43,449 acres are still in the PRL application process. These PRLs may be issued after the BLM completes its review of and approves the environmental assessment documents for the portion of the deposit contained in those additional claims. ICP's rights to the land covered by these Prospecting Permits do not lapse while the permits are under application for conversion to PRLs. BLM Prospecting Permits covering an additional 12,483 acres, that were issued effective September 1, 2014, can be held for up to four years and require annual rent payments of approximately \$6,244. The Company paid \$50,000 into a statewide permit bond (the "Permit Bond") that will be refunded when certain prospecting permit and reclamation requirements are satisfied. The Permit Bond is the only bond required by the BLM at this time for the PRLs and Prospecting Permits.

The PRLs have a term of 20 years and for so long thereafter as the company complies with the terms and conditions of the leases which are subject to readjustment at the end of each 20 year period. PRLs require production royalty payments of 5% of the gross value at the point of shipment to market payable 30 days after sale. Also, once the Ochoa Project comes into production, but no later than six years from obtaining federal BLM PRLs, minimum royalty payments of \$3 per acre are payable in advance before January 1 of each year. In addition, annual rent payments are due annually and in advance for each BLM PRL acre in the amount of \$0.25 for the first partial year \$0.50 for the second year (for which the payment that was due by January 1, 2015 has been made), \$0.50 for the third, fourth and fifth calendar years and \$1.00 for each year thereafter. The minimum advance royalty and the annual rental payments can be credited to production royalties for that year.

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. A minimum advance royalty payment of \$8 per acre is payable to the State of New Mexico Commissioner of Public Lands on 17 NMSLO Leases that commenced in 2010 and on one NMSLO Lease that commenced in 2013 along with an annual rental charge of \$1 per acre. The minimum advance royalty and annual rent payments that were due on May 24 have been made and the next minimum advance royalty and rent payment is due on or before January 15, 2016 (\$1,915). Once the Ochoa Project comes into production, minimum royalties of \$8 per acre or 5% of the gross value of production after processing, whichever is greater, will be due on the NMSLO Leases. 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. The Company posted a \$25,000 MegaBond in respect to the NMSLO Leases. The bond will be released when certain reclamation requirements related to the Company's prospecting activities are satisfactorily completed.

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 \$1.00 per ton of polyhalite mined for the first 1,000,000 tons and \$0.50 per ton thereafter is also payable on the Ochoa Project pursuant to an agreement with an arm's length third party.

## **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, 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 salty water that is not in use for domestic, municipal, or agricultural uses, ICP will secure water resources without competing with the surrounding communities' sources 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 decision gives the Company full right to utilize up to 2,000 gallons per minute of deep, non-potable water. The water will be treated by reverse osmosis to reduce dissolved solids to the extent required to render it suitable for as 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 in accordance with 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 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 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. Patents 8,551,429 & 8,802,048, 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 describes 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 \$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 \$1.019 billion, using an after-tax discount rate of 8% and no debt.
- Steady-state operating production cost is estimated to be \$195 per ton of SOP.
- The financial model covers approximately three years of construction and commissioning followed by 50 years of operation. Full annual SOP production capacity is expected to be reached approximately 1 year after construction is completed.
- 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 compulsory 30-day availability period, the BLM published a signed Record of Decision (the “ROD”) on April 10, 2014 to mark the completion of the National Environmental Protection Act (“NEPA”) compliance process. The ROD authorizes ICP to construct and operate its 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 was approved on July 31, 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 March 31, 2015 is as follows:

#### **Table of Results for the Quarters to March 31, 2015**

	<b>Mar 31 2015</b>	<b>Dec 31 2014</b>	<b>Sep 30 2014</b>	<b>Jun 30 2014</b>
Total assets	\$ 69,862,638	\$ 71,974,469	\$ 64,637,876	\$ 65,964,224
Property, plant and equipment	\$ 62,111,312	\$ 61,569,434	\$ 143,700	\$ 154,227
Exploration and evaluation assets	\$ -	\$ -	\$ 60,992,255	\$ 60,055,487
Working capital	\$ 7,245,505	\$ 9,778,442	\$ 2,776,266	\$ 5,152,857
Shareholders' equity	\$ 60,020,682	\$ 62,475,398	\$ 63,790,323	\$ 65,155,611
Interest income	\$ 2,152	\$ 470	\$ 5,018	\$ 12,054
Net loss	\$ (2,457,740)	\$ (1,287,091)	\$ (1,264,285)	\$ (2,130,064)
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 March 31, 2014 is as follows:

#### **Table of Results for the Quarters to March 31, 2014**

	<b>31-Mar 2014</b>	<b>Dec 31 2013</b>	<b>Sep 30 2013</b>	<b>Jun 30 2013</b>
Total assets	\$ 67,481,226	\$ 70,230,695	\$ 67,681,327	\$ 68,856,441
Property, plant and equipment	\$ 167,618	\$ 190,279	\$ 221,773	\$ 237,437
Exploration and evaluation assets	\$ 59,166,879	\$ 57,812,082	\$ 54,746,290	\$ 50,945,384
Working capital	\$ 7,396,562	\$ 10,654,120	\$ 10,630,720	\$ 15,708,073
Shareholders' equity	\$ 66,571,241	\$ 68,133,089	\$ 65,290,719	\$ 66,885,286
Interest income	\$ 17,913	\$ 9,055	\$ 23,177	\$ 24,530
Net loss	\$ (1,179,998)	\$ (967,048)	\$ (1,883,088)	\$ (1,427,800)
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)

### **Results of Operations for the Quarter ended March 31, 2015**

The Corporation did not generate operating revenue during the quarter ended March 31, 2015, as all of the operating activities of the Corporation were directed towards acquisition, exploration and development during the quarter.

#### ***Ochoa property – Development Phase***

On November 30, 2014, the Ochoa project was reclassified from an exploration and evaluation asset to a development asset. The reclassification decision was based on completion of a favourable feasibility study, completion of the environmental impact study and issuance of the related ROD, approval of the Air Quality permit by the New Mexico Environment Department – Air Quality Division and the receipt of PRLs from the BLM.

Total costs incurred on the project during the quarter amounted to \$549,134 (2014 – \$nil) of which \$35,045 (2014 – \$nil) was for acquisition costs and \$514,089 (2014 - \$nil) was for development costs.

## **Office and Administration Expenses**

Administration and related costs amounted to \$144,642 (2014 – \$124,479) 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 for the quarter was \$57,045 (2014 - \$255,339). 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 \$45,175 (2014 – \$21,346); this was mostly in respect of IT consulting and financial consulting.

Depreciation during the quarter amounted to \$10,442 (2014 - \$14,663). This relates to depreciation in respect of furniture and fixtures, computer equipment, exploration equipment, and vehicles.

Fundraising activities for the quarter was \$518,907 (2014 – nil). This amount is for expenses related to identifying and meeting with potential companies and investors.

Investor relations cost in the quarter was \$136,508 (2014 – \$172,115). Investor relations costs increased due to increased activity related to project financing.

Professional fees of \$108,970 (2014 – \$101,616) 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 \$31,888 (2014 - \$34,787).

Rent and storage in the quarter were \$18,389 (2014 - \$20,525). In 2014, the costs decreased because a corporate apartment lease expired.

Royalties and property leases for the quarter amounted to \$233,017 (2014 - \$nil). This type of expense used to be recorded in Exploration and Evaluation Assets; however, we have moved to development phase and royalty payments are recorded as an expense.

Share-based compensation for the quarter was \$3,024 (2014 - \$nil), which increased due to allocation of stock options that vest in second quarter of 2015.

Travel, including related costs, for the quarter amounted to \$27,405 (2014 – \$91,958) and were composed of such costs not specifically related to exploration projects or investor relations and business development. The decrease is because fewer employees were traveling compared to 2014.

Wages and benefits for the quarter amounted to \$616,651 (2014 – \$437,396). 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. \$155,782 (2014 - \$158,379) of wages were capitalized to the Ochoa Project in the quarter.

Interest income for the quarter was \$2,152 (2014 - \$17,913) earned from cash invested in Term Deposits and bank accounts. Interest income decreased because less money was invested during the quarter.

Finance cost related to convertible preferred shares for the quarter was \$463,480 (2014 – nil). This is for all expenses related to the convertible preferred shares issued by ICP(USA) in November 2014. It includes the accrual for the 12% dividend and the amortization of the deferred financing costs that relate to convertible preferred shares liability.

### **Financings**

During the quarters ended March 31, 2015 and March 31, 2014, the Company did not issue any common shares.

### **Liquidity and Capital Resources at March 31, 2015**

At March 31, 2015, the Corporation's working capital was \$7,245,505 (2014 - \$7,397,900). The sources of cash in the period included cash from interest earned on term deposits and bank accounts.

The Company intends to raise additional funds during this year so that all project plans can be fully executed during the next 12 months. As at March 31, 2015, the Corporation had a cash balance of \$7,445,370 (2014 - \$7,819,497) to settle current liabilities of \$416,822 (2014 - \$616,161). The Corporation will incur rental expense of USD\$105,336 and CAD\$25,473 from April 2015 to March 2016. The Company has a contractual maturity for the \$10,000,000 face amount of the Preferred Shares plus accrued dividends at 12% per annum due on November 21, 2016.

### **Transactions with Related Parties**

During the three months ended March 31, 2015, the Company entered into the following transactions with related parties:

- a) Paid or accrued short-term employee benefits of \$298,117 (2014 - \$302,540), of which \$98,703 (2014 - \$88,355) was paid to Sidney Himmel, \$40,286 (2014 - \$45,310) was paid to Kevin Strong, \$56,250 (2014 - \$71,250) was paid to Randy Foote, \$43,875 (2014-\$43,875) was paid to Tom Cope, and \$59,003 (2014 - \$53,750) was paid to Richard Beauchamp.
- b) Paid or accrued directors' fees, included in administrative costs, of \$81,771 (2014 - \$42,480), of which \$16,304 (2014 - \$8,496) was paid to George Poling, \$16,555 (2014 - \$8,496) was paid to Pierre Pettigrew, \$16,304 (2014 - \$8,496) was paid to Anthony Grey, \$16,304 (2014 - \$8,496) was paid to Ernest Angelo, and \$16,304 (2014 - \$8,496) was paid to Knute Lee.
- c) Incurred share-based compensation in the form of allocation of stock options that vest in April 2015 valued at \$3,024 (2014 - \$nil) to Richard Beauchamp.
- d) Included in accounts payable as at March 31, 2015 is \$6,878 (2014 - \$26,841) 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	
	March 31, 2015	March 31, 2014
Short-term benefits	\$298,117	\$302,541
Directors' fees	81,771	42,478
Share-based compensation	3,024	-
<b>Total remuneration</b>	<b>\$382,912</b>	<b>\$345,019</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, accrued liabilities and Preferred Shares.

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 Preferred Shares contain a contractual obligation whereby ICP(USA) can be required to repay the Preferred Share proceeds, therefore they are considered a financial liability. In addition, the conversion feature was considered an embedded derivative in 2014. However, with the functional currency changing to the U.S. dollar effective January 1, 2015, the conversion feature is no longer considered a derivative liability. The Preferred Shares are accounted for using the effective interest rate method. The effective interest rate of the Preferred Share debt is 20%.

### **Other**

#### ***Outstanding Share data as at May 7, 2015:***

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No Par Value	Unlimited	172,874,654

Number of shares held in escrow is nil (May 7, 2014 – nil).

(b) Summary of Options outstanding as at May 7, 2015:

Number of Options	Exercise Price (CAD)	Expiry Date
335,000	1.06	May 31, 2015
602,245	0.40	August 4, 2015
172,255	0.40	September 19, 2015
350,000	0.50	September 19, 2015
56,000	0.35	October 24, 2015
200,000	0.58	November 8, 2015
100,000	0.80	November 22, 2015
900,000	1.40	March 17, 2016
306,250	1.07	October 17, 2016
100,000	1.03	February 23, 2017
1,200,000	0.90	April 26, 2017
100,000	0.71	December 5, 2017
200,000	0.35	April 24, 2019
2,275,500	0.40	June 18, 2019
600,000	0.35	September 2, 2019
<u>7,497,250</u>		

(c) Warrants outstanding as at May 7, 2015

Number of Warrants	Exercise Price (CAD)	Expiry Date
10,000,000	\$ 0.35	June 18, 2015

**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 three months ended March 31, 2015 and also the consolidated financial statements for the twelve months ended December 31, 2014 for additional detail on accounting principles.

**Change in presentation currency**

Prior to December 31, 2014, the Company reported its annual and quarterly statements of financial position and the related statements of loss and comprehensive loss, cash flows and changes in equity in Canadian dollars (“CAD”). Effective January 1, 2015, the Company changed its reporting currency to the United States (“U.S.”) dollar to better reflect the Company’s business activities. As a result and in accordance with International Accounting Standards (“IAS”) 21 *The Effects of Changes in Foreign Exchange Rates*, the financial statements for all periods presented have been translated in to U.S. dollars. The statement of loss and comprehensive loss, and cash flows for each period have been translated in to the presentation currency using the average exchange rate prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the statements of financial position dates. Equity transactions since inception have been translated at the exchange rate in effect on

the date of the specific transaction. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in U.S. dollars.

### **Foreign currency translation**

The consolidated financial statements are presented in U.S. dollars. Prior to January 1, 2015, the functional currency of the Company and its subsidiaries was the Canadian dollar. The Company and its subsidiaries functional currency changed on a prospective basis from the Canadian dollar to the U.S. dollar as management determined that the currency of the primary economic environment in which the entities operate changed with the planned development of the Ochoa property and the recent U.S. dollar financing.

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

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

#### *Financial instruments*

IFRS 7 – Financial Instruments: Disclosure. IFRS 7 is amended for annual periods beginning on or after January 1, 2015 to require additional disclosures on transition from IAS 39 to IFRS 9. There was no impact on the Company's financial statements upon adoption of this amendment.

IFRS 9 - Financial Instruments: Classification and Measurement. IFRS 9 is a new standard that will replace IAS 39. IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 introduces new requirements for the classification and measurement of financial instruments as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value and a debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows in the form of principal and interest. 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 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 intends to raise additional funds during this year so that all project plans can be fully executed during the next 12 months. As at March 31, 2015, the Company had a cash balance of \$7,445,370 to settle current liabilities of \$416,822. The Company has a contractual maturity for the \$10,000,000 face amount of the preferred shares plus accrued interest in less than 2 years.

### *Interest rate risk*

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade highly liquid demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as cash deposits are payable on demand and the Company currently does not carry interest bearing debt at floating rates. A 1% change in the interest rate would have had a \$17,750 impact on interest income for the period.

### *Foreign currency risk*

The Company's functional currency is the US dollars; however there are transactions in Canadian dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% change in the foreign exchange rate would have had an approximate \$2,000 impact on foreign exchange gain or loss.

### *Price risk*

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

### *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 designing and developing a mine and processing facility as part of the Ochoa Project, 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. The Company has various memoranda of understanding in place with oil and gas companies for the purposes of co-development. Additional agreements are being negotiated.

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 and ICP(USA)), 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 February 25, 2015, 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 three months ended March 31, 2015.

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 quarter ended March 31, 2015 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).