

IC POTASH CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2016

(Unaudited – expressed in US dollars)

IC POTASH CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in US Dollars)

	September 30, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$ 1,925,942	\$ 741,338
Receivables	5,904	722
Prepaid expenses	46,701	50,240
	<u>1,978,547</u>	<u>792,300</u>
Property, plant and equipment (note 4)	58,013,565	56,197,065
Deposits (note 3)	76,170	80,297
Deferred financing costs	-	133,338
	<u>\$ 60,068,282</u>	<u>\$ 57,203,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 5,13)	\$ 806,998	\$ 689,207
Employment liability - current (note 7)	648,014	939,306
	<u>1,455,012</u>	<u>1,628,513</u>
Non-current		
Convertible preferred shares (note 9)	14,642,024	10,718,590
Decommissioning liabilities (note 8)	193,190	186,207
Secured notes (note 10)	2,418,494	-
Warrant liability (note 11)	798,224	4,088
	<u>19,506,944</u>	<u>12,537,398</u>
Shareholders' equity		
Share capital (note 9)	94,385,015	94,044,519
Reserves (note 9)	9,380,735	9,099,058
Currency translation adjustment reserve	(9,273,273)	(9,273,273)
Deficit	(53,931,139)	(49,204,702)
	<u>40,561,338</u>	<u>44,665,602</u>
	<u>\$ 60,068,282</u>	<u>\$ 57,203,000</u>

Nature of operations and going concern (note 1)

Commitments (note 15)

On behalf of the Board:

“John Stubbs” Director

“Mehdi Azodi” Director

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

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

(Unaudited - Expressed in US Dollars)

	Three Month Period Ended Sept. 30, 2016	Three Month Period Ended Sept. 30, 2015	Nine Month Period Ended Sept. 30, 2016	Nine Month Period Ended Sept. 30, 2015
EXPENSES				
Administration (note 13)	\$ 59,527	\$ 124,706	\$ 172,230	\$ 458,374
Business and market development	79,945	5,037	87,965	93,408
Consulting fees	121,150	293,723	340,250	572,189
Depreciation	8,221	13,073	24,660	34,538
Fundraising activities	17,183	454,178	169,863	1,393,074
Foreign exchange loss (gain)	938	(21,681)	55,628	16,164
Investor relations	64,589	57,139	77,584	306,738
Professional fees	51,416	154,317	127,781	846,221
Regulatory fees	9,674	12,515	42,994	52,897
Rent and storage	14,469	26,649	43,335	66,684
Royalties and property leases	3,000	9,243	260,139	259,931
Share-based compensation (note 11,13)	33,161	-	268,001	130,145
Travel	21,848	23,110	37,452	64,115
Termination expense	-	1,603,910	-	1,603,910
Wages and benefits (note 13)	224,467	363,064	779,280	1,573,077
Operating loss	(709,588)	(3,118,983)	(2,487,162)	(7,471,465)
Interest income	553	274	586	4,140
Derivative loss (note 11)	(498,272)	185,463	(547,938)	(23,648)
Finance costs (note 12)	(621,178)	(475,498)	(1,691,697)	(1,411,043)
Loss on asset disposal	-	(23,912)	(226)	(23,912)
Loss and comprehensive loss for the period	\$ (1,828,485)	\$ (3,432,656)	\$ (4,726,437)	\$ (8,925,928)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.05)
Weighted average number of common shares				
outstanding basic and diluted	191,373,545	172,874,654	181,854,043	172,874,654

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

IC POTASH CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in US Dollars)

	Nine Month Period Ended September 30, 2016	Nine Month Period Ended September 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (4,726,437)	\$ (8,925,928)
Items not affecting cash:		
Accretion	6,983	5,155
Accrue termination expense	-	1,082,574
Depreciation	24,660	34,538
Derivative loss	547,938	23,648
Loss on disposal of equipment	226	23,912
Interest expense on convertible preferred shares	1,423,434	1,405,889
Interest expense on secured notes	261,280	-
Shares-based compensation	268,001	130,145
Unrealized foreign exchange loss (gain)	(15,034)	86,841
Changes in non-cash working capital items:		
Increase in receivables	(5,182)	(10,141)
Decrease in prepaid expenses	4,374	150,941
Increase in accounts payable and accrued liabilities	3,229	3,635
Decrease in employment liability	(291,292)	-
Net cash used in operating activities	<u>(2,497,820)</u>	<u>(5,988,791)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment expenditures	(1,598,182)	(1,816,345)
Deposits	4,127	1,100
Disposal of asset for cash	-	301
Net cash used in investing activities	<u>(1,594,055)</u>	<u>(1,814,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	648,002	-
Common shares issuance costs	(47,632)	-
Proceeds from issuance of convertible debenture	2,500,000	-
Proceeds from issuance of secured notes	2,500,000	-
Secured notes issuance costs	(338,090)	-
Net cash provided by financing activities	<u>5,262,280</u>	<u>-</u>
Change in cash for the period	1,170,405	(7,803,735)
Effect of foreign exchange rate changes on cash	14,199	(97,114)
Cash, beginning of period	<u>741,338</u>	<u>10,100,145</u>
Cash, end of period	<u>\$ 1,925,942</u>	<u>\$ 2,199,296</u>

Supplemental disclosure with respect to cash flows (note 14)

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

IC POTASH CORP.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
(Unaudited - Expressed in US Dollars)

	Share Capital					
	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balances as at December 31, 2014	172,874,654	\$94,044,519	\$8,968,913	\$ (9,273,273)	\$(38,928,864)	\$54,811,295
Share-based compensation	-	-	130,145	-	-	130,145
Loss and comprehensive loss	-	-	-	-	(8,925,928)	(8,925,928)
Balances as at September 30, 2015	172,874,654	\$94,044,519	\$9,099,058	\$ (9,273,273)	\$(47,854,792)	\$46,015,512
Balance as at December 31, 2015	172,874,654	\$94,044,519	\$9,099,058	\$ (9,273,273)	\$(49,204,702)	\$44,665,602
Shares issued for cash	18,498,891	648,002	-	-	-	648,002
Warrant liability	-	(246,198)	-	-	-	(246,198)
Shares issued costs	-	(61,308)	-	-	-	(61,308)
Share-based compensation	-	-	268,001	-	-	268,001
Grant of broker warrants	-	-	13,676	-	-	13,676
Loss and comprehensive loss	-	-	-	-	(4,726,437)	(4,726,437)
Balances as at September 30, 2016	191,373,545	\$94,385,015	\$9,380,735	\$ (9,273,273)	\$(53,931,139)	\$40,561,338

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

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

IC Potash Corp. ("IC Potash" or the "Company") was incorporated under the Canada Business Corporations Act on November 8, 2002. IC Potash is a development stage mining company. The Company is involved in the development of potash and potash-related minerals that can be applied directly or processed and converted into Sulphate of Potash ("SOP") and other fertilizers. The Company's registered office is 82 Richmond Street East, Toronto, ON M5C 1P1. The Condensed Consolidated Interim Financial Statements ("Financial Statements") are comprised of the Company and its subsidiaries. To date, the Company has not earned operating revenue. The Company completed and filed the NI 43-101 Technical Report, Ochoa Project Feasibility Study, in March 2014.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES**a) Statement of compliance:**

These Financial Statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The Financial Statements were authorized by the audit committee and board of directors of the Company on October 31, 2016.

IC POTASH CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**b) Basis of presentation:**

The Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Financial Statements are in accordance with IFRS and have not been audited.

The preparation of financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These Financial Statements do not include all of the information required for annual financial statements.

The significant accounting policies for the quarter are consistent with those disclosed in the audited annual financial statements for the year-ended December 31, 2015. The Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year-ended December 31, 2015.

c) New standards, amendments and interpretations:

Effective and adopted January 1, 2016

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

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

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

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

Effective January 1, 2018

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

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**a) New standards, amendments and interpretations (cont'd...)***Effective January 1, 2018 (cont'd...)*

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

Effective January 1, 2019

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

b) Significant accounting estimates and judgments:

The preparation of these Interim Financial Statements requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. The most significant estimates relate to the recoverability of capitalized amounts regarding the Ochoa project, assumptions related to valuation of warrants, the Convertible Preferred Shares and the Convertible Debt, share-based compensation, and decommissioning liabilities.

3. DEPOSITS

	September 30, 2016	December 31, 2015
BLM permit bond	\$ 50,000	\$ 50,000
MegaBond	25,000	25,000
Office security deposits	1,170	5,297
Total	\$ 76,170	\$ 80,297

4. PROPERTY, PLANT AND EQUIPMENT

Ochoa property

The Company's land holdings consist of approximately 86,027 acres of federal preference right potassium leases, federal subsurface potassium prospecting permits and State of New Mexico potassium mining leases. Effective November 1, 2014, the Company's wholly-owned subsidiary Intercontinental Potash Corp. (USA) was granted Preference Rights Leases by the U.S. Department of the Interior Bureau of Land Management ("BLM"). The potassium leases, in conjunction with those granted by the New Mexico State Land Office, comprise the entire area of the 50-year Ochoa mine plan approved by the BLM in the Record of Decision ("ROD") dated April 10, 2014.

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

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

Property, plant and equipment consist of the following:

Cost	Development Project - Ochoa Property	Furniture and fixtures	Computer equipment	Other equipment	Vehicles	Total
As at December 31, 2014	\$ 53,796,399	\$ 46,003	\$ 117,123	\$ 32,190	\$ 103,394	\$ 54,095,109
Additions	2,326,119	-	30,288	-	-	2,356,407
Disposals	-	(39,162)	(36,540)	-	-	(75,702)
As at December 31, 2015	56,122,518	6,841	110,871	32,190	103,394	56,375,814
Additions	1,841,420	-	-	-	-	1,841,420
Disposals	-	-	(5,782)	-	-	(5,782)
As at September 30, 2016	\$ 57,963,938	\$ 6,841	\$ 105,089	\$ 32,190	\$ 103,394	\$ 58,211,452
Depreciation						
As at December 31, 2014	\$ -	\$ 21,778	\$ 80,130	\$ 18,627	\$ 68,104	\$ 188,639
Additions	-	1,982	23,029	3,542	13,047	41,600
Disposals	-	(20,952)	(30,538)	-	-	(51,490)
As at December 31, 2015	-	2,808	72,621	22,169	81,151	178,749
Additions	-	1,189	14,496	2,125	6,850	24,660
Disposals	-	-	(5,522)	-	-	(5,522)
As at September 30, 2016	\$ -	\$ 3,997	\$ 81,595	\$ 24,294	\$ 88,001	\$ 197,887
Net book value:						
As at December 31, 2014	\$ 53,796,399	\$ 24,225	\$ 36,993	\$ 13,563	\$ 35,290	\$ 53,906,470
As at December 31, 2015	\$ 56,122,518	\$ 4,033	\$ 38,250	\$ 10,021	\$ 22,243	\$ 56,197,065
As at September 30, 2016	\$ 57,963,938	\$ 2,844	\$ 23,494	\$ 7,896	\$ 15,393	\$ 58,013,565

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2016	December 31, 2015
Trade payables	\$ 46,027	\$ 130,764
Accrued liabilities (note 6)	743,010	544,978
Other	17,961	13,465
Total	\$ 806,998	\$ 689,207

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

6. CONTINGENT LIABILITY

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

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

7. EMPLOYMENT LIABILITY

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

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

The full amount of the severance of \$1,603,910 (\$2,100,000 CAD) was expensed during the year ended December 31, 2015 (note 13). As at September 30, 2016, the balance of employment liability is \$648,014 (\$850,000 CAD).

8. DECOMMISSIONING LIABILITIES

	September 30, 2016	December 31, 2015
Reclamation obligation		
Balance beginning of year	\$ 186,207	\$ 137,459
Change in estimate	-	41,875
Accretion expense	6,983	6,873
Balance end of year	\$ 193,190	\$ 186,207

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

8. DECOMMISSIONING LIABILITIES (cont'd...)**Site Restoration: Ochoa Project – New Mexico**

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

As at September 30, 2016, the undiscounted amount of estimated future decommissioning costs based on today's costs with 3% inflation after 2 years of development and 50 years production is \$2,354,185 (2015 - \$2,354,185). Decommissioning costs are expected to be incurred in 2068.

9. SHARE CAPITAL AND RESERVES**Common shares**

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

Refer to the Condensed Consolidated Interim Statements of Changes in Equity for a summary of changes in share capital and reserves for the period ended September 30, 2016. Reserves relate to stock options and compensatory warrants that have been issued by the Company (note 11).

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

During the period ended September 30, 2015, the Company did not issue any common shares.

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

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

During the period ended September 30, 2016, the Company issued 125,000 of convertible Series B Preferred Shares. Under the terms of the Securities Purchase Agreement signed on February 29, 2016, the Series B Preferred Shares were issued by ICP(USA) for \$2,500,000 on July 13, 2016. The Series B Preferred Shares bear a 12% dividend rate and mature on February 28, 2018, at which point they can be redeemed by the holder for the purchase price plus accrued dividends or converted into an additional non-diluted 10.55% interest of the common shares of ICP(USA).

On November 25, 2014, ICP(USA), an indirectly wholly-owned subsidiary of IC Potash Corp., issued 500,000 convertible Series A Preferred Shares at a purchase price of \$10,000,000 to Cartesian Capital Group, LLC ("Cartesian"). The Series A Preferred Shares accrue dividends at a rate of 12% per year and were to mature on November 25, 2016, at which time they can be redeemed by the holder for the purchase price plus accrued dividends or converted into a non-diluted 7.8% interest of the common shares of ICP(USA).

The terms of the Series A Preferred Shares were amended in February 2016 to extend the maturity date of the Series A Preferred Shares from November 25, 2016 to February 28, 2018 and to increase the dividend rate from 12% to 15% effective on February 29, 2016.

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

The Series A Preferred Shares are accounted for using the effective interest rate method. The effective interest rate of the Series A Preferred Share debt is 17% (2015 - 20%) due to modification of terms.

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

Upon initial recognition, the fair value of the embedded derivatives was determined to be immaterial using the Black-Scholes pricing model. The embedded derivatives are revalued at period ends. At September 30, 2016, the fair value was also determined to be immaterial using the Black-Scholes pricing model with the following weighted average assumptions:

September 30, 2016

Share price	\$0.09
Exercise price	\$0.49
Risk free rate	0.68%
Expected life	1.41 years
Expected volatility	101%

The embedded derivative is a level three financial liability.

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016

(Unaudited - Expressed in US Dollars)

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

	Series A	Series B	Total
Balance as at December 31, 2014	\$ 8,825,082	\$ -	\$ 8,825,082
Amortization of issuance costs	679,667	-	679,667
Accrued dividends payable	1,213,841	-	1,213,841
Balance as at December 31, 2015	10,718,590	-	10,718,590
Amount at date of issue, July 13, 2016	-	2,500,000	2,500,000
Amortization of issuance costs	258,284	-	258,284
Accrued dividends payable	1,100,218	64,932	1,165,150
Balance as at September 30, 2016	\$ 12,077,092	\$ 2,564,932	\$ 14,642,024

10. SECURED NOTES

Pursuant to the terms of the Securities Purchase Agreement signed on February 29, 2016, Cartesian agreed to make an aggregate investment of up to \$45 million in ICP(USA) in two tranches. The first tranche ("Tranche 1") will be comprised of up to \$5 million in new convertible Series B Preferred Shares (note 9) and up to \$5 million in senior Secured Notes issued by ICP(USA). The second tranche ("Tranche 2") will consist of up to \$35 million in new convertible Series C Preferred Shares.

Under the terms of the Securities Purchase Agreement, the initial draw of \$2.5 million under Tranche 1 closed in February 2016 through the issuance of Secured Notes with Cartesian. The Secured Notes are due on February 28, 2018, bear interest at 11% per annum and are fully secured by a first priority security interest in all of the assets of ICP(USA), including the Ochoa Project. The effective interest rate on the Secured Notes is 19%.

Balance as at December 31, 2014 and 2015	\$ -
Secured notes - Tranche 1	2,500,000
Issuance costs	(342,786)
Amortization of issuance costs - Tranche 1	100,488
Accrued interest - Tranche 1	160,792
Balance as at September 30, 2016	\$ 2,418,494

The Securities Purchase Agreement expired in August 2016.

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11. STOCK OPTIONS AND WARRANTS**Stock options**

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

As at September 30, 2016, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options	Exercise Price (CAD)	Average Contractual Life Remaining (years)	Expiry Date
306,250	\$ 1.07	0.05	October 17, 2016 *
100,000	1.03	0.40	February 23, 2017
1,200,000	0.90	0.57	April 26, 2017
30,000	0.71	1.18	December 5, 2017
100,000	0.08	1.28	January 12, 2018
2,275,500	0.40	2.72	June 18, 2019
500,000	0.08	2.78	July 12, 2019
600,000	0.35	2.92	September 2, 2019
1,707,495	0.35	3.60	May 7, 2020
9,650,000	0.08	4.68	June 6, 2021
300,000	0.08	4.78	July 12, 2021
450,000	0.09	4.93	September 2, 2021
17,219,245			

* expired unexercised subsequent to September 30, 2016.

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price (CAD)
Outstanding at December 31, 2014	9,997,250	\$ 0.62
Cancelled/expired	(4,315,500)	0.50
Granted	<u>1,707,495</u>	0.35
Outstanding December 31, 2015	7,389,245	0.63
Cancelled/expired	(1,170,000)	1.18
Granted	<u>11,000,000</u>	0.08
Outstanding September 30, 2016	<u>17,219,245</u>	\$ 0.24
Number of options exercisable at September 30, 2016	<u>17,219,245</u>	\$ 0.24

The exercisable options as at September 30, 2016 have an average weighted remaining life of 3.79 years (2015 – 2.89 years).

During the nine month period ended September 30, 2016, the Company granted 11,000,000 (2015 – 1,707,495) stock options to consultants, officers, employees and directors of the Company. All options vested at the grant date.

The fair value of the options granted, as determined by the Black-Scholes option pricing model, was \$268,001 (2015 - \$126,308) or \$0.02 per option (2015 - \$0.07).

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the nine month period ended September 30, 2016 and 2015:

	Period ended September 30, 2016	Period ended September 30, 2015
Risk-free interest rate	0.65%	1.06%
Expected life of options	4.12 years	3.87 years
Annualized volatility	62.02%	50.45%
Dividend rate	-	-
Forfeiture rate	-	-

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

As at September 30, 2016, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price (CAD)	Average Contractual Life Remaining	Expiry Date
10,000,000	\$ 0.35	0.22 years	December 18, 2016
18,498,891	0.08	0.64 years	May 20, 2017
28,498,891			

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Outstanding as at December 31, 2015	10,000,000	\$ 0.35
Issue on May 20, 2016 (note 9)	<u>18,498,891</u>	0.08
Outstanding September 30, 2016	28,498,891	\$ 0.17
Number of warrants exercisable as at September 30, 2016	28,498,891	\$ 0.17

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

	Number of warrants	Weighted average exercise price (CAD)	Warrant liability (USD)
Balance, January 1, 2015	10,000,000	\$ 0.35	\$ -
Fair value due to extension (June 30, 2015)	-	-	209,111
Change in fair value	-	-	(205,023)
Balance, December 31, 2015	10,000,000	0.35	4,088
Fair value at issuance (May 20, 2016)	18,498,891	0.08	246,198
Change in fair value	-	-	547,938
Balance, September 30, 2016	28,498,891	\$ 0.17	\$ 798,224

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The following weighted-average assumptions were used for the Black-Scholes valuation of the derivative warrant liability on warrants issued during the nine month period ended September 30, 2016 and on the outstanding warrants as at September 30, 2016.

	As at May 20, 2016	As at September 30, 2016
Risk free rate	0.62%	0.51%
Expected term of liability	1.00 year	0.37 years
Annualized volatility	84.69%	103.32%
Dividend rate	0.00%	0.00%

Broker warrants

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

As at September 30, 2016, the Company had broker warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price (CAD)	Average Contractual Life Remaining	Expiry Date
855,478	\$ 0.065	0.64 years	May 20, 2017

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Outstanding as at December 31, 2015	-	\$ -
Issued May 20, 2016 (note 9)	855,478	0.065
Outstanding as at September 30, 2016	855,478	\$ 0.065

The fair value of the broker warrants granted, as determined by the Black-Scholes option pricing model, was \$13,676 (2015 - \$nil) or \$0.02 per broker warrant (2015 - \$nil)

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The following weighted-average assumptions were used for the Black-Scholes valuation of broker warrants issued during the nine month period ended September 30, 2016:

	Period ended September 30, 2016
Risk-free interest rate	0.62%
Expected life of options	1 year
Annualized volatility	81.07%
Dividend rate	-
Forfeiture rate	-

12. FINANCE COSTS

During the period ended September 30, 2016, the Company incurred the following finance expenses:

	Sept. 30, 2016	Sept. 30, 2015
Amortization of issuance costs - preferred shares Series A (note 9)	\$ 258,284	\$ 508,354
Accrued dividends payable on preferred shares Series A (note 9)	1,100,218	897,534
Amortization of issuance costs - secured notes Tranche 1 (note 10)	100,488	-
Accrued interests on the secured notes Tranche 1 (note 10)	160,792	-
Accrued dividends payable on preferred shares Series B (note 9)	64,932	-
Accretion on decommissioning liabilities (note 8)	6,983	5,155
	<u>\$ 1,691,697</u>	<u>\$ 1,411,043</u>

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

	September 30, 2016	December 31, 2015
Key management personnel	\$20,274	\$ 2,318
	<u>\$ 20,274</u>	<u>\$ 2,318</u>

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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

	Nine months ended	
	September 30, 2016	September 30, 2015
Termination expense	\$ -	\$ 1,603,910
Short-term benefits *	527,916	966,691
Directors' fees **	64,938	213,858
Share-based compensation	238,529	130,145
Total remuneration	\$ 831,383	\$ 2,914,604

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

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

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

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplemental disclosure with respect to cash flows	Nine months ended	
	September 30, 2016	September 30, 2015
Advances reclassified to property in development phase	\$ -	\$ 2,222
Development project costs included in accounts payable	\$ 698,111	\$ 94,099
Reclamation obligation	\$ -	\$ (13,860)
Warrant liability	\$ 246,198	\$ -
Broker warrants issued as finders' fees	\$ 13,676	\$ -

15. COMMITMENTS**Production**

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

Employment liability

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

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16. SEGMENTED INFORMATION

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

Property, plant, and equipment		Canada		USA		Total
December 31, 2015	\$	783	\$	56,196,282	\$	56,197,065
September 30, 2016	\$	513	\$	58,013,052	\$	58,013,565

17. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property assets. The Company does not have any externally imposed capital requirements to which it is subject. The capital of the Company consists of common shares, convertible preferred shares, secured notes, options and warrants. The Company had no bank indebtedness at September 30, 2016. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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

The Company intends to raise additional funds so that all project plans can be fully executed. There were no significant changes in the Company's approach to capital management during the period ended September 30, 2016.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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

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

Credit risk

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

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 September 30, 2016, the Company had a cash balance of \$1,925,945 to settle current liabilities of \$1,455,012. The Company has a contractual maturity for the \$12,500,000 face amount of the preferred shares plus accrued interest. The Company also has \$2,500,000 in secured notes plus accrued interest. The preferred shares and secured notes will mature February 28, 2018.

Interest rate risk

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

Foreign currency risk

The Company's functional currency is the US 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 \$25,000 impact on foreign exchange gain or loss.

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

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

19. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended September 30, 2016, was based on the loss attributable to common shareholders of \$4,726,437 (2015 – \$8,925,928) and the weighted average number of common shares outstanding of 181,854,043 (2015 – 172,874,654). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive.