# ORGANIC POTASH CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

(Expressed in Canadian Dollars)

## Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Organic Potash Corporation is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. These unaudited financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

"Heather Welner"

Heather Welner

Chief Executive Officer

"Jonathan Held"

Jonathan Held

Chief Financial Officer

November 26, 2012

# Organic Potash Corporation

(A development stage company)
Unaudited Condensed Interim Consolidated Statements of Financial Position

| | | September 30, 2012 | | June 30, 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current** | | | | |
| Cash | $ | 321,528 | $ | 196,314 |
| Other receivables (note 4) | | 26,935 | | 48,475 |
| Prepaids | | 60,866 | | 23,696 |
| Inventory | | 9,063 | | 8,080 |
| | | 418,392 | | 276,565 |
| Property, plant and equipment (note 6) | | 411,161 | | 404,227 |
| **Total Assets** | $ | 829,553 | $ | 680,792 |
| **Liabilities** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | $ | 118,723 | $ | 39,557 |
| Convertible debentures | | 495,192 | | - |
| | | 613,915 | | 39,557 |
| **Shareholders' Equity** | | | | |
| Share capital (note 7) | | 2,801,199 | | 2,801,199 |
| Contributed surplus (note 8) | | 724,829 | | 724,829 |
| Warrants (note 7) | | 387,194 | | 387,194 |
| Accumulated other comprehensive loss | | 11,456 | | (2,185) |
| Equity portion of convertible debentures (note 9) | | 74,658 | | - |
| Deficit | | (3,783,698) | | (3,269,802) |
| | | 215,638 | | 641,235 |
| **Total Liabilities and Shareholders' Equity** | $ | 829,553 | $ | 680,792 |

Nature of operations and going concern (note 1)
Commitments (note 11)

Approved by the Board

"Heather Welner"
Director

"Michael Galloro"
Director

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

# Organic Potash Corporation

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
Three months ended September 30,

| | | 2012 | | 2011 |
|---|---|---|---|---|
| Salary and wages | $ | 182,191 | $ | 163,850 |
| Travel and promotion | | 48,252 | | 55,948 |
| Consulting | | 46,500 | | 53,382 |
| Office and general | | 50,778 | | 50,896 |
| Professional fees | | 33,800 | | 14,792 |
| Operating costs | | 69,534 | | - |
| Share-based payments (note 8) | | - | | 724,829 |
| Depreciation | | 8,793 | | - |
| Reverse acquisition transaction costs (note 5) | | - | | 332,618 |
| | | 439,848 | | 1,396,315 |
| Interest income | | 276 | | 2,551 |
| Interest expense | | (10,117) | | - |
| Foreign exchange loss | | (64,207) | | - |
| Loss before provision for income taxes | | 513,896 | | 1,393,764 |
| Income taxes | | - | | - |
| Net loss for the year | | (513,896) | | (1,393,764) |
| Exchange loss on translating to presentation currency | | 13,641 | | - |
| Loss and comprehensive loss for the year | $ | (500,255) | $ | (1,393,764) |
| Loss per common share, basic and diluted | $ | (0.01) | $ | (0.02) |
| Weighted average number of common shares, basic and diluted | | 64,325,252 | | 62,828,597 |

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

# Organic Potash Corporation

Unaudited Condensed Interim Consolidated Statements of Changes in Equity
Three months ended September 30,

| | Share Capital | Contributed Surplus | Warrants | Accumulated other comprehensive loss | Equity portion of convertible debentures | Prepaid Share Subscriptions | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|
| Balance as at June 30, 2011 | $ 402,500 | $ - | $ - | $ - | $ - | $ 539,650 | $ (716,978) | $ 225,172 |
| Private placements | 2,077,442 | - | 269,555 | - | - | (539,650) | - | 1,807,347 |
| Finders' warrants issued on private placements | - | - | 117,639 | - | - | - | - | 117,639 |
| Shares issued for reverse takeover transaction | 321,257 | - | - | - | - | - | - | 321,257 |
| Share-based payments | - | 724,829 | - | - | - | - | - | 724,829 |
| Loss and comprehensive loss for the year | - | - | - | - | - | - | (1,393,764) | (1,393,764) |
| Balance as at September 30, 2011 | 2,801,199 | 724,829 | 387,194 | - | - | - | (2,110,742) | 1,802,480 |
| Balance as at June 30, 2012 | 2,801,199 | 724,829 | 387,194 | (2,185) | - | - | (3,269,802) | 641,235 |
| Issuance of convertible debentures | - | - | - | - | 74,658 | - | - | 74,658 |
| Loss and comprehensive loss for the year | - | - | - | 13,641 | - | - | (513,896) | (500,255) |
| Balance as at September 30, 2012 | $ 2,801,199 | $ 724,829 | $ 387,194 | $ 11,456 | $ 74,658 | $ - | $ (3,783,698) | $ 215,638 |

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

# Organic Potash Corporation

(A development stage company)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
Three months ended September 30,

| | | 2012 | | 2011 |
|---|---|---|---|---|
| Cash flows provided from (used in): | | | | |
| **Operating activities** | | | | |
| Loss for the year | $ | (513,896) | $ | (1,393,764) |
| Items not affecting cash: | | | | |
| Share-based payments (note 8) | | - | | 724,829 |
| Reverse acquisition transaction costs (note 5) | | - | | 332,618 |
| Accretion on convertible debentures | | 2,909 | | - |
| Depreciation | | 8,793 | | - |
| Net changes in non-cash working capital: | | | | |
| Other receivables | | 21,540 | | (26,856) |
| Prepaids | | (37,170) | | (13,444) |
| Inventory | | (983) | | - |
| Accounts payable and accrued liabilities | | 79,166 | | (366,431) |
| Notes payable | | - | | (15,000) |
| | | (439,641) | | (758,048) |
| **Investing activities** | | | | |
| Addtions to property, plant and equipment (note 6) | | (29,839) | | - |
| | | (29,839) | | - |
| **Financing activities** | | | | |
| Proceeds from issuance of units, net of issue costs (note 7) | | - | | 1,924,986 |
| Proceeds from issuance of convertible debentures, net of issue costs (note 9) | | 566,941 | | - |
| Net assets from TRED acquisition (note 5) | | - | | (6,065) |
| | | 566,941 | | 1,918,921 |
| Effects of foreign currency translation | | 27,753 | | - |
| Increase (decrease) in cash | | 97,461 | | 1,160,873 |
| Cash, beginning of year | | 196,314 | | 586,703 |
| **Cash, end of year** | $ | 321,528 | $ | 1,747,576 |

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

## 1. Nature of operations and going concern

Organic Potash Corporation (originally incorporated under the name Ghana Canada Resources Inc.) (the "Company" or "OPC") was incorporated on June 26, 2009 under the Ontario Business Corporations Act. The address of the Company's registered office is 10 Wilkinson Road, Suite 22, Brampton Ontario, L6T 5B1, Canada.

The condensed interim consolidated financial statements for the three months ended September 30, 2012, and 2011, were approved and authorized for issue by the Board of Directors on November 26, 2012.

The condensed interim consolidated financial statements of OPC as at and for the three months ended September 30, 2012, include OPC and its subsidiaries, GC Resources Ltd. ("GC Resources") and GC Purchasing Ltd. ("GC Purchasing") (together referred to as the "Group" and individually as "Group entities"). OPC is engaged in the production and export of potassium carbonate produced from agricultural waste, in particular, cocoa husks.

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has significant negative cash flows from operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company will need to raise capital in order to fund its operations. To address its financing requirements, the Company will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

## 2. Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of condensed interim financial statements including IAS 34. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2012, as they follow the same accounting policies, unless otherwise indicated.

(a) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

**2. Basis of presentation (cont'd)**

(b) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian Dollars, which is the Company's presentation currency. The Company's functional currency is Canadian dollars and the functional currency of all subsidiaries is the United States Dollar.

(c) Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements are noted below:

(i) Income taxes

Tax interpretations, regulations and legislations in the jurisdiction in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

(ii) Expense allocation

The Company estimated the allocation of costs to share or convertible debenture issue costs and professional fees.

(iii) Share-based payments and warrants

Charges for share-based payments and the value of warrants are based on the fair value at the date of issuance. The shares are valued using Black-Scholes option pricing model; inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding.

(iv) Compound financial instruments

Certain financial instruments comprise a liability and an equity component. This is the case with the convertible debentures issued by the Company. The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, and the market interest rates of non-convertible debentures.

## 3. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended September 30, 2012, and have not been applied in preparing these interim consolidated financial statements.

The Company is currently assessing the effects of IFRS 9 Financial Instruments (Classification and Measurement) which becomes effective on January 1, 2015, and IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, and IFRS 13 Fair Value Measurement, all of which become effective January 1, 2013. The extent of the impact has not been determined.

## 4. Other receivables

| | September 30, 2012 | | June 30, 2012 | |
|---|---|---|---|---|
| HST receivable | $ | 19,881 | $ | 41,170 |
| Other receivables | | 7,054 | | 7,305 |
| | $ | 26,935 | $ | 48,475 |

## 5. Amalgamation with Tulox Real Estate Development Inc.

On February 10, 2011, the Company entered into a non-binding letter of intent to negotiate exclusively with Tulox Real Estate Development Inc. ("TRED"), a reporting issuer. On March 21, 2011, the Company signed an amalgamation agreement with TRED such that each TRED shareholder will receive one common share of the newly amalgamated company ("Amalco") for every two and one half (2.5) common shares of TRED, on a post-consolidated basis, and all OPC shareholders would receive one common share of Amalco for each share of OPC being exchanged. The net assets of TRED are not significant. As a result of the amalgamation, the former shareholders of TRED owned 4% and the original owners of the Company owned 96% of the outstanding shares of the amalgamated entity. On July 8, 2011, the Company completed the amalgamation and on August 15, 2011, listed on the Canadian National Stock Exchange.

As the shareholders of the Company controlled Amalco post amalgamation, the acquisition was accounted for as a reverse acquisition. TRED did not meet the definition of a business under IFRS 3. The assets and liabilities of the Company are included in the interim consolidated statement of financial position at their pre-amalgamation carrying values. Share capital and deficit of TRED are eliminated. The fair value of the consideration in the reverse acquisition is equivalent to the fair value of 2,415,467 common shares controlled by the original shareholders of the Company. The purchase price of TRED has been allocated as follows:

| **Purchase price:** | | |
|---|---|---|
| 2,415,467 common shares of the Company at $0.133 per share | $ | 321,257 |
| **Allocated as follows:** | | |
| HST receivable | $ | 1,800 |
| Accounts payable and accrued liabilities | | (7,865) |
| Note payable to the Company eliminated on amalgamation | | (5,296) |
| Reverse acquisition transaction costs | | 332,618 |
| | $ | 321,257 |

## 6. Property, plant and equipment

| | Equipment, Furniture and fixtures | Vehicles | Leasehold Improvements | Equipment under Construction | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| | $ 24,765 | $ 101,616 | $ 18,499 | $ 266,888 | $ 411,768 |
| Additions | - | - | 13,840 | 15,999 | 29,839 |
| Balance at September 30, 2012 | 24,765 | 101,616 | 32,339 | 282,887 | 441,607 |
| **Accumulated depreciation** | | | | | |
| Balance at June 30, 2012 | 2,923 | 5,889 | - | - | 8,812 |
| Depreciation | 2,029 | 6,249 | 515 | - | 8,793 |
| Balance at September 30, 2012 | 4,952 | 12,138 | 515 | - | 17,605 |
| Exchange differences | (602) | (2,617) | (795) | (8,827) | (12,841) |
| **Net book value as at:** | | | | | |
| September 30, 2012 | $ 19,211 | $ 86,861 | $ 31,029 | $ 274,060 | $ 411,161 |
| June 30, 2012 | $ 21,969 | $ 96,337 | $ 18,499 | $ 267,422 | $ 404,227 |

For the three month period ended September 30, 2012, $8,793 (2011 - $Nil) of depreciation expense was incurred.

## 7. Share capital and warrants

Authorized: an unlimited number of common shares

Issued and outstanding:

| | Common Shares | Amount |
|---|---|---|
| Balance, June 30, 2011 | 45,000,000 | $ 402,500 |
| Private placement | 16,909,785 | 2,245,152 |
| Shares issued on RTO | 2,415,467 | 321,257 |
| Share issuance costs | - | (167,710) |
| Balance, June 30, 2012 and September 30, 2012 | 64,325,252 | $ 2,801,199 |

Warrants:

| | Warrants | Amount |
|---|---|---|
| Balance, June 30, 2011 | - | $ - |
| Private placement warrants | 8,454,883 | 291,316 |
| Finders' warrants on private placement | 1,690,978 | 117,639 |
| Warrant issuance costs | | (21,761) |
| Balance, June 30, 2012 and September 30, 2012 | 10,145,861 | $ 387,194 |

## 7. Share capital and warrants (cont'd)

| Expiry Date | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| February 15, 2013 | 8,454,883 | $ 0.30 |
| February 15, 2013 | 1,690,978 | 0.15 |
| | 10,145,861 | $ 0.27 |

On July 7, 2011, OPC completed a private placement financing of 16,909,785 units at $0.15 per unit for gross proceeds of $2,536,468. Each unit consists of one common share and one half of one warrant exercisable at $0.30 for a period of eighteen months from the date of listing. The Company paid finder's fees of 10% finder's warrants resulting in the issuance of 1,690,978 finder's warrants exercisable at $0.15 with a Black-Scholes option pricing model value of $117,639. All warrants provide the Company the option to call the warrants if the shares trade at a closing price of $0.45 or greater for 10 consecutive trading days. The value of $2,245,152 less issuance costs of $167,710 has been attributed to the common shares. The remaining value of $291,316 less issuance costs of $21,761 has been attributed to the warrants issued based on the Black-Scholes option pricing model and has been credited to warrants within shareholders' equity.

On July 8, 2011, the Company completed an amalgamation with TRED (note 5), under which it issued 2,415,467 shares at a value of $0.133 per share to the former owners of TRED.

The fair value of the Company's warrants issued was estimated using the Black-Scholes option pricing model using the following assumptions:

| | | |
|---|---|---|
| Volatility | N/A | (2012 - 100%) |
| Risk-free interest rate | N/A | (2012 - 1.10%) |
| Expected life (years) | N/A | (2012 - 1.5 years) |
| Dividend yield | N/A | (2012 - Nil) |
| Share price | N/A | (2012 - $0.15) |

## 8. Share-based payments

The Company implemented a stock option plan under which it is authorized to grant options to its directors, officers, employees and consultants for the purchase of up to 10% of the issued and outstanding common shares. The term of the stock options under the plan shall not exceed 10 years, have an exercise price not less than the current market price and may be subject to vesting terms as determined by the board of directors.

| | Number of Options | Weighted Average Exercise Price |
|---|---|---|
| Balance at June 30, 2011 | - | $ - |
| Granted | 6,432,525 | 0.15 |
| Balance at June 30, 2012 and September 30, 2012 | 6,432,525 | $ 0.15 |

## 8. Share-based payments (cont'd)

The Company had the following stock options outstanding at September 30, 2012:

| Grant Date | Exercise Price ($) | Weighted Avg Remaining Life (yrs) | Number of Options Outstanding | Number of Options Exercisable |
|---|---|---|---|---|
| July 7, 2011 | 0.15 | 3.77 | 6,432,525 | 6,432,525 |
| | 0.15 | 3.77 | 6,432,525 | 6,432,525 |

The fair value of the Company's stock options issued was estimated using the Black-Scholes option pricing model using the following assumptions:

| | | |
|---|---|---|
| Volatility | N/A | (2012 - 100%) |
| Risk-free interest rate | N/A | (2012 - 2.29%) |
| Expected life (years) | N/A | (2012 - 5 years) |
| Dividend yield | N/A | (2012 - Nil) |
| Forfeiture rate | N/A | (2012 - Nil) |
| Share price | N/A | (2012 - $0.15) |
| Average fair value | N/A | (2012 - $0.11) |

## 9. Convertible debentures

During the three months ended September 30, 2012, the Company issued a total of $570,000 of convertible debentures. The debentures were issued in two tranches, $270,000 on July 9, 2012, and $300,000 on September 17, 2012. The debentures mature on May 31, 2015, and bear interest at a rate of 10% per annum, payable semi-annually. The outstanding principal under the debentures may, at the option of the holders, be converted into common shares of the Company at a conversion price of $0.10 per unit, each unit consisting of one common share and one half of one warrant, with each whole warrant exercisable at $0.30 for a period of 3 years from the original issuance date of the debentures. The debentures may be converted at the option of the Company in the event that the common shares volume weighted average trading price exceeds $0.25 for ten consecutive trading days. The debentures are secured by all of the assets of the Company. The Company incurred transaction costs of $3,059.

The convertible debentures are a debt security with an embedded conversion option. The Company used the residual method to allocate the liability and equity portion of the convertible debenture. The Company allocated a fair value of $495,342 less transaction costs of $3,059 to the debt component and $74,658 to equity. The fair value of the debt is measured using a discounted cash flow method. In determining fair value of the liability, the Company applied an interest coupon of 16% which assumes no conversion feature.

Total interest expense for the three months ended September 30, 2012 amounted to $10,117 (2011 - $Nil) comprised of interest accrued for the three months ended September 30, 2012 of $7,208 (2011 - $Nil), and accretion expense of $2,909 (2011 - $Nil).

## 10. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including foreign exchange/currency risk and commodity price risk)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these interim consolidated financial statements.

### Risk management framework

The Directors have overall responsibility for establishment and oversight of the Group's risk management framework.

(i) Credit risk

Credit risk is the risk of financial loss associated with the counterparty's inability to fulfill its contractual obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company manages its credit risk by predominantly dealing with counterparties with a positive credit rating. As at September 30, 2012, $7,054 (June 30, 2012 - $7,305) of the balances receivable are to third parties and the remaining amounts are with government organizations The Company is also exposed to credit risk on cash and maintains its balances with high credit Canadian and Ghanaian institutions.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's executives continually review the liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The Group's operating cash requirements, including amounts projected, are continuously monitored and adjusted as input variables change. These variables include but are not limited to, changes to government regulations relating to prices, taxes, royalties, and availability of markets. As these variables change, liquidity risks may necessitate the need for the Group to pursue equity issuances, obtain debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner. The Company currently has cash on hand in excess of current liabilities. All accounts payables are due within 30 days.

**10. Financial risk management (cont'd.)**

**Risk management framework (cont'd.)**

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risk to which the Group is exposed is foreign exchange risk.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk primarily related to operating and capital expenditures, denominated in currencies other than the Canadian dollar, primarily US Dollars (USD) and Ghanaian Cedi (GHC). The following financial instruments are shown in Canadian dollars.

| | USD | GHC | Total |
|---|---|---|---|
| Cash | $ 151,132 | $ 12,309 | $ 163,441 |
| Other receivable | - | 7,054 | 7,054 |
| Accounts payable and accrued liabilities | (8,988) | (2,578) | (11,566) |
| **Total** | $ 142,144 | $ 16,785 | $ 158,929 |
| Effect of +/- 10% change in exchange rate | $ 14,214 | $ 1,679 | $ 15,893 |

(iv) Capital management

The Company includes equity, comprised of share capital, warrants, contributed surplus, equity portion of convertible debentures, accumulated other comprehensive loss, and deficit in the definition of capital, which at September 30, 2012, totaled $226,263 (June 30, 2012 - $641,235).

The Group's objectives when managing its capital are to safeguard its ability to continue as a going concern, to pursue the production of organic potassium carbonate, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Group may issue new shares, issue new debt, acquire or dispose of assets.

The Group is not subject to externally imposed capital requirements or covenants.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Group, is reasonable.

## 11. Commitments

On July 31, 2009, GC Resources entered into a license agreement with GC Technology Limited ("GC Technology"), a company where a director of the Company is a director, acquiring the rights to manufacture and sell organic potassium carbonate produced using GC Technology's patented process to manufacture industrial grade potassium carbonate from the ash of cocoa husks. The licensing agreement has a term of 20 years and shall expire on August 30, 2029. As consideration for the license granted, GC Resources is to pay GC Technology an ongoing royalty fee equal to 4% of the gross sales up to a maximum of US$800,000 per year.

The Company signed a 99 year lease for land in Takoradi, Ghana for which it plans to construct a potassium carbonate production facility. Upon receiving appropriate registration of title, the Company will be required to pay US$60,000, which is the total cost for the entire 99 year lease.

In addition, total future annual lease payments for premises are as follows:

| | |
|---|---|
| **2013** | $ 34,800 |

## 12. Related party transactions

During the three month periods, the Company incurred consulting fees of $Nil, (2011 - $15,000) and legal fees of $15,000 (2011 - $Nil), to a company controlled by a director of the Company.

During the three month periods, the Company incurred rent expense, recorded as office and general, totaling approximately $3,000 (2011 - $1,000) to a company controlled by a director.