# ORGANIC POTASH CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(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 condensed 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, 2013

# Organic Potash Corporation

Unaudited Condensed Interim Consolidated Statements of Financial Position

| | September 30, 2013 | June 30, 2013 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash | $ 31,840 | $ 13,376 |
| Other receivables (note 4) | 20,428 | 27,593 |
| Prepaids | 25,109 | 13,958 |
| Inventory | 23,765 | 23,032 |
| | 101,142 | 77,959 |
| Property, plant and equipment (note 5) | 438,863 | 462,055 |
| **Total Assets** | $ 540,005 | $ 540,014 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 982,947 | $ 717,686 |
| Convertible debentures (note 8) | 794,610 | 784,194 |
| | 1,777,557 | 1,501,880 |
| **Shareholders' Equity (Deficit)** | | |
| Share capital (note 6) | 2,960,512 | 2,960,512 |
| Contributed surplus (note 7) | 1,052,709 | 691,024 |
| Warrants (note 6) | - | 361,685 |
| Accumulated other comprehensive loss | (24,671) | (48,816) |
| Prepaid share subscriptions (note 10) | 145,000 | 30,000 |
| Equity portion of convertible debentures (note 8) | 108,415 | 108,415 |
| Deficit | (5,479,517) | (5,064,686) |
| | (1,237,552) | (961,866) |
| **Total Liabilities and Shareholders' Equity** | $ 540,005 | $ 540,014 |

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,

| | | **2013** | | **2012** |
|---|---|---|---|---|
| General and administration (note 9) | $ | 292,350 | $ | 361,521 |
| Operating costs | | 47,216 | | 69,534 |
| Depreciation (note 5) | | 13,302 | | 8,793 |
| | | 352,868 | | 439,848 |
| Interest income | | - | | (276) |
| Interest expense (note 8) | | 33,060 | | 10,117 |
| Foreign exchange (gain) loss | | 28,903 | | 64,207 |
| Loss before provision for income taxes | | 414,831 | | 513,896 |
| Income taxes | | - | | - |
| Net loss for the year | | (414,831) | | (513,896) |
| Exchange loss on translating to presentation currency | | 24,145 | | 13,641 |
| Loss and comprehensive loss for the year | $ | (390,686) | $ | (500,255) |
| Loss per common share, basic and diluted | $ | (0.01) | $ | (0.01) |
| Weighted average number of common shares, basic and diluted | | 64,991,919 | | 64,325,252 |

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

| | Share Capital | Contributed Surplus | Warrants | Accumulated Other Comprehensive Loss | Equity portion of Convertible Debentures | Prepaid Share Subscriptions | Deficit | Total Shareholders' Equity (Deficit) |
|---|---|---|---|---|---|---|---|---|
| Balance as at June 30, 2012 | $ 2,801,199 | $ 724,829 | $ 387,194 | $ (2,185) | $ - | $ - | $ (3,269,802) | $ 641,235 |
| Issuance of convertible debentures (note 8) | - | - | - | - | 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 |
| Balance as at June 30, 2013 | 2,960,512 | 691,024 | 361,685 | (48,816) | 108,415 | 30,000 | (5,064,686) | (961,866) |
| Prepaid share subscriptions (note 10) | - | - | - | - | - | 115,000 | - | 115,000 |
| Expiration of warrants (note 6) | - | 361,685 | (361,685) | - | - | - | - | - |
| Loss and comprehensive loss for the year | - | - | - | 24,145 | - | - | (414,831) | (390,686) |
| Balance as at September 30, 2013 | $ 2,960,512 | $ 1,052,709 | $ - | $ (24,671) | $ 108,415 | $ 145,000 | $ (5,479,517) | $ (1,237,552) |

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

# Organic Potash Corporation

Unaudited Condensed Interim Consolidated Statements of Cash Flows
Three months ended September 30,

| | 2013 | 2012 |
|---|---|---|
| Cash flows provided from (used in): | | |
| **Operating activities** | | |
| Net loss for the year | $ (414,831) | $ (513,896) |
| Items not affecting cash: | | |
| Depreciation (note 5) | 13,302 | 8,793 |
| Accretion on convertible debentures (note 8) | 10,416 | 2,909 |
| Net changes in non-cash working capital: | | |
| Other receivables | 7,165 | 21,540 |
| Prepaids | (11,151) | (37,170) |
| Inventory | (733) | (983) |
| Accounts payable and accrued liabilities | 265,261 | 79,166 |
| | (130,571) | (439,641) |
| **Investing activities** | | |
| Addtions to property, plant and equipment | (582) | (29,839) |
| | (582) | (29,839) |
| **Financing activities** | | |
| Proceeds from prepaid share subscriptions | 115,000 | - |
| Proceeds from issuance of convertible debentures, net of issue costs (note 8) | - | 566,941 |
| | 115,000 | 566,941 |
| Effects of foreign currency translation | 34,617 | 27,753 |
| Increase (decrease) in cash | 18,464 | 125,214 |
| Cash, beginning of the year | 13,376 | 196,314 |
| **Cash, end of year** | $ 31,840 | $ 321,528 |

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 (the "Company") was incorporated on June 26, 2009 under the Ontario Business Corporations Act. The Company is engaged in West Africa in the production and export of potassium carbonate produced from agricultural waste, in particular, cocoa husks. 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, 2013, and 2012, were approved and authorized for issue by the Board of Directors on November 21, 2013.

The condensed consolidated interim 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, 2013, 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.

(b) Basis of consolidation

The condensed interim consolidated financial statements of the Company as at and for the three months ended September 30, 2013, include the Company and its subsidiaries, GC Resources Ltd. ("GC Resources") and GC Purchasing Ltd. ("GC Purchasing"). Intercompany balances and transactions are eliminated in preparing these consolidated financial statements.

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

(c) 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.

(d) 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, 2013, and have not been applied in preparing these interim consolidated financial statements.

IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

## 4. Other receivables

| | September 30, 2013 | June 30, 2013 |
|---|---|---|
| HST receivable | $ 18,429 | $ 18,777 |
| Other receivables | 1,999 | 8,816 |
| | $ 20,428 | $ 27,593 |

## 5. Property, plant and equipment

| | Equipment, Furniture and Fixtures | Vehicles | Leasehold Improvements | Equipment under Construction | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| Balance at June 30, 2013 | $ 32,480 | $ 68,697 | $ 34,887 | $ 367,371 | $ 503,435 |
| Additions | - | - | - | 582 | 582 |
| Balance at September 30, 2013 | 32,480 | 68,697 | 34,887 | 367,953 | 504,017 |
| **Accumulated depreciation** | | | | | |
| Balance at June 30, 2013 | 11,982 | 20,482 | 26,514 | - | 58,978 |
| Depreciation | 2,518 | 4,430 | 6,353 | - | 13,302 |
| Balance at September 30, 2013 | 14,500 | 24,912 | 32,867 | - | 72,280 |
| Exchange differences | 255 | 570 | 170 | 6,130 | 7,125 |
| **Net book value as at:** | | | | | |
| September 30, 2013 | $ 18,235 | $ 44,355 | $ 2,190 | $ 374,083 | $ 438,863 |
| June 30, 2013 | $ 21,216 | $ 49,887 | $ 8,682 | $ 382,270 | $ 462,055 |

For the three month periods ended September 30, 2013, $13,302, (2012 - $8,793) of depreciation expense was incurred.

## 6. Share capital and warrants

Authorized: an unlimited number of common shares

Issued and outstanding:

| | Common Shares | Amount |
|---|---|---|
| Balance, June 30, 2012 | 64,325,252 | $ 2,801,199 |
| Exercise of warrants | 366,667 | 80,508 |
| Exercise of options | 300,000 | 78,805 |
| Balance, June 30, 2013 and September 30, 2013 | 64,991,919 | $ 2,960,512 |

Warrants:

| | Warrants | Amount |
|---|---|---|
| Balance, June 30, 2012 | 10,145,861 | $ 387,194 |
| Exercise of warrants | 366,667 | (25,509) |
| Balance, June 30, 2013 | 9,779,194 | 361,685 |
| Expiration of warrants | (9,779,194) | (361,685) |
| Balance, September 30, 2013 | - | $ - |

On April 26, 2013, the Company issued 666,667 common shares at $0.15 per common share upon the exercise of 300,000 stock options and 366,667 warrants.

On August 15, 2013, the 9,779,194 warrants expire unexercised.

## 7. 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, 2012 | 6,432,525 | $ 0.15 |
| Exercise of options | (300,000) | 0.15 |
| Balance at June 30, 2012 | 6,132,525 | $ 0.15 |

The Company had the following stock options outstanding at September 30, 2013:

| Grant Date | Exercise Price ($) | Weighted Avg Remaining Life (yrs) | Number of Options Outstanding | Number of Options Exercisable |
|---|---|---|---|---|
| July 7, 2011 | 0.15 | 2.77 | 6,132,525 | 6,132,525 |
| | 0.15 | 2.77 | 6,132,525 | 6,132,525 |

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

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) |

## 8. Convertible debentures

During the year end June 30, 2013, the Company issued a total of $870,000 of convertible debentures. The debentures were issued in three tranches, $270,000 on July 9, 2012, $300,000 on September 17, 2012, and $300,000 on February 4, 2013. $60,000 of the debentures were purchased by and are currently held by a director and a company controlled by a director of the Company. 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 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 $761,585 less transaction costs of $3,059 to the debt component and $108,415 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, 2013, amounted to $33,060, (2012 - $10,117) comprised of interest for the three months ended September 30, 2013, of $22,644 (2012 - $7,208), and accretion expense of $10,416 (2012 - $2,909).

## 9. General and administration

| | | 2013 | | 2012 |
|---|---|---|---|---|
| Professional fees | $ | 38,941 | $ | 33,800 |
| Salaries | | 170,607 | | 182,191 |
| Travel | | 20,349 | | 48,252 |
| Office and administration | | 18,540 | | 50,778 |
| Consulting | | 43,913 | | 46,500 |
| | $ | 292,350 | $ | 361,521 |

## 10. Prepaid share subscriptions

Prepaid share subscriptions consists of cash received, net of issuance cost, related to a private placement under which the shares had not been issued. The prepaid share subscriptions relate to the subscription of 1,450,000 units at $0.10 per unit with regards to a private placement, net of issue costs. Each unit consists of one common share and one half of one warrant exercisable at $0.30 per warrant for a period of eighteen months.

## 11. Financial risk management

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

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company'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 Company'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, 2013, $1,999 (June 30, 2013 - $8,816) 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.

## 11. Financial risk management (cont'd.)

(ii) Liquidity risk

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

The Company'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 Company 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.

(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 Company is exposed is foreign exchange risk.

(a) Foreign exchange risk

The Company 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 | $ 25,489 | $ 4,762 | $ 30,251 |
| Other receivables | 296 | 1,703 | 1,999 |
| Accounts payable and accrued liabilities | (47,403) | (59,782) | (107,185) |
| **Total** | $ (21,618) | $ (53,317) | $ (74,935) |
| | | | |
| Effect of +/- 10% change in exchange rate | $ (2,162) | $ (5,332) | $ (7,494) |

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

(iv) Capital management

The Company includes equity, comprised of share capital, warrants, contributed surplus, equity portion of convertible debentures, accumulated other comprehensive loss, prepaid share subscriptions and deficit in the definition of capital, which at September 30, 2013, was a deficit of $1,237,552 (June 30, 2013 - $961,866).

The Company'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 Company 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 Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company 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 Company, is reasonable.

**12. 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.

## 13. Related party transactions

During the three month periods ended September 30, 2013, the Company incurred legal fees of $15,000 (2012 - $15,000), to a company controlled by a director of the Company. As at September 30, 2013, $65,000 (June 30, 2013 - $50,000), remains payable.

During the three month periods ended September 30, 2013, the Company incurred rent expense, recorded as office and general, totaling $3,000 (2012 - $3,000) to a company controlled by a director. As at September 30, 2013, $8,000 (June 30, 2013 - $5,000), remains payable.

As at September 30, 2013, the Company owes approximately $511,333 (June 30, 2013 - $393,333) to executive officers for outstanding salaries payable.

The Company has received two interest free loans from a director and senior officer of the Company, and from a company where the director and senior officer is also a director, in the amount of 12,212 GHS and 20,000 GHS respectively, which remains outstanding as at September 30, 2013, and remains in accounts payable and accrued liabilities.

## 14. Subsequent events

On October 3, 2013, the Company completed the first tranche of a private placement issuing 2,000,000 units at $0.10 per unit to raise gross proceeds of $200,000. Each unit consists of one common share and one half of one common share purchase warrant exercisable at $0.30, expiring 18 months from the date of issuance.