ORGANIC POTASH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Organic Potash Corporation

We have audited the accompanying consolidated financial statements of Organic Potash Corporation and its subsidiaries which comprise the consolidated statements of financial position as at June 30, 2014 and June 30, 2013 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended June 30, 2014 and June 30, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Organic Potash Corporation and its subsidiaries as at June 30, 2014 and June 30, 2013, and its financial performance and its cash flows for the years ended June 30, 2014 and June 30, 2013 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that cast significant doubt about Organic Potash Corporation and its subsidiaries' ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
October 27, 2014
Toronto, Ontario

Organic Potash Corporation

Consolidated Statements of Financial Position
As at June 30,

		2014		2013
Assets				
Current				
Cash	$	24,035	$	13,376
Trade and other receivables (note 4)		10,530		27,593
Prepaids		12,628		13,958
Inventory		14,285		23,032
		61,478		77,959
Property, plant and equipment (note 5)		335,161		462,055
Total Assets	$	396,639	$	540,014
Liabilities				
Current				
Accounts payable and accrued liabilities (note 6)	$	1,750,260	$	717,686
Convertible debentures (notes 9 and 16)		825,762		-
Convertible debentures (notes 9 and 16)		-		784,194
		2,576,022		1,501,880
Shareholders' Deficiency				
Share capital (note 7)		3,341,874		2,960,512
Contributed surplus (note 8)		1,052,709		691,024
Warrants (note 7)		21,610		361,685
Accumulated other comprehensive loss		(61,906)		(48,816)
Prepaid share subscriptions (note 11)		80,000		30,000
Equity portion of convertible debentures (note 9)		108,415		108,415
Deficit		(6,722,085)		(5,064,686)
		(2,179,383)		(961,866)
Total Liabilities and Shareholders' Deficiency	$	396,639	$	540,014

Nature of operations and going concern (note 1)
Commitments (note 14)
Subsequent events (note 16)

Approved by the Board

"Heather Welner"	"Michael Galloro"
Director	Director

The accompanying notes are an integral part of these audited consolidated financial statements

Organic Potash Corporation

Consolidated Statements of Loss and Comprehensive Loss
Years ended June 30,

	2014	2013
Sales	$ 17,201	$ -
General and administration (note 10)	1,253,615	1,399,181
Operating costs	214,600	307,397
Depreciation (note 5)	134,947	58,396
	1,585,961	1,764,974
Interest income	-	(527)
Interest expense (note 9)	128,808	86,794
Foreign exchange gain	(57,370)	(50,263)
Gain on disposition of property, plant and equipment	-	(6,094)
Loss before provision for income taxes	1,657,399	1,794,884
Income taxes	-	-
Net loss for the year	(1,657,399)	(1,794,884)
Exchange loss on translating to presentation currency	(13,090)	(46,631)
Loss and comprehensive loss for the year	$ (1,670,489)	$ (1,841,515)
Loss per common share, basic and diluted	$ (0.02)	$ (0.03)
Weighted average number of common shares, basic and diluted	67,357,398	64,443,974

The accompanying notes are an integral part of these audited consolidated financial statements

Organic Potash Corporation

Consolidated Statements of Changes in Equity
Years ended June 30, 2014 and 2013

	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 9)	-	-	-	-	108,415	-	-	108,415
Exercise of stock options (note 7)	78,805	(33,805)	-	-	-	-	-	45,000
Exercise of warrants (note 7)	80,508	-	(25,509)	-	-	-	-	54,999
Prepaid share subscriptions (note 11)	-	-	-	-	-	30,000	-	30,000
Loss and comprehensive loss for the year	-	-	-	(46,631)	-	-	(1,794,884)	(1,841,515)
Balance as at June 30, 2013	2,960,512	691,024	361,685	(48,816)	108,415	30,000	(5,064,686)	(961,866)
Issuance of shares, net of cash issue costs (note 7)	381,362	-	21,610	-	-	(30,000)	-	372,972
Expiration of warrants (note 7)	-	361,685	(361,685)	-	-	-	-	-
Prepaid share subscriptions (note 11)	-	-	-	-	-	80,000	-	80,000
Loss and comprehensive loss for the year	-	-	-	(13,090)	-	-	(1,657,399)	(1,670,489)
Balance as at June 30, 2014	$ 3,341,874	$ 1,052,709	$ 21,610	$ (61,906)	$ 108,415	$ 80,000	$ (6,722,085)	$ (2,179,383)

The accompanying notes are an integral part of these audited consolidated financial statements

Organic Potash Corporation
Consolidated Statements of Cash Flows
Years ended June 30,

		2014		2013
Cash flows provided from (used in):				
Operating activities				
Net loss for the year	$	(1,657,399)	$	(1,794,884)
Items not affecting cash:				
Depreciation (note 5)		134,947		58,396
Accretion on convertible debentures (note 9)		41,568		25,668
Gain on disposition of property, plant and equipment		-		(6,094)
Net changes in non-cash working capital:				
Trade and other receivables		17,063		20,882
Prepaids		1,330		9,738
Inventory		8,747		(14,952)
Accounts payable and accrued liabilities		950,356		678,129
		(503,388)		(1,023,117)
Investing activities				
Addtions to property, plant and equipment		(1,104)		(124,586)
Proceeds from disposition of property, plant and equipment		-		30,783
		(1,104)		(93,803)
Financing activities				
Proceeds from prepaid share subscriptions		80,000		30,000
Proceeds from issuance of convertible debentures, net of issue costs (note 9)		-		866,941
Proceeds from exercise of warrants and options		-		100,000
Proceeds from loans payable (note 15)		82,218		-
Proceeds from issuance of units, net of issue costs (note 7)		372,972		-
		535,190		996,941
Effects of foreign currency translation		(20,039)		(62,959)
Increase (decrease) in cash		10,659		(182,938)
Cash, beginning of the year		13,376		196,314
Cash, end of year	$	24,035	$	13,376

The accompanying notes are an integral part of these audited consolidated financial statements

1. Nature of operations and going concern

Organic Potash Corporation ("OPC" or 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 consolidated financial statements for the years ended June 30, 2014, and 2013, were approved and authorized for issue by the Board of Directors on October 27, 2014.

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 and a significant working capital deficiency. 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. Adjustments to the statement of financial position would be material if the Company was unable to continue as a going concern.

2. Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except as detailed in the Company's accounting policies disclosed in note 3.

(b) Basis of consolidation

The consolidated financial statements of the Company as at and for the years ended June 30, 2014, and 2013, include the Company and its wholly-owned subsidiaries, GC Resources Ltd. ("GC Resources") and GC Purchasing Ltd. ("GC Purchasing"). Intercompany balances and transactions are eliminated in preparing these consolidated financial statements.

(c) Functional and presentation currency

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

2. Basis of presentation (cont'd)

(d) Use of estimates and judgments

The preparation of the 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 issue costs, convertible debenture issuance 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 share-based payments and warrants 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) ***Functional currency:*** Judgement is required to determine the functional currency of the parent and its subsidiaries. These judgements are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

(v) ***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.

(vi) ***Property, plant and equipment:*** Judgment is required to determine when property, plant and equipment under construction becomes available for use, the useful life of property plant and equipment when it becomes available for use, and if any impairment triggers have occurred.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements as at and for the years ended June 30, 2014 and 2013, unless otherwise indicated. The accounting policies have been applied consistently by each entity.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

OPC's significant subsidiaries are:

	Country of Incorporation	Ownership Interest Total
GC Resources Ltd.	Ghana	100%
GC Purchasing Ltd.	Ghana	100%

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of each entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss and comprehensive loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. Significant accounting policies (cont'd.)

Foreign currency (cont'd)

(ii) Foreign operations

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the financial period end;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- equity transactions are translated using the exchange rate at the date of the transaction; and
- all resulting exchange differences are recognized as a separate component of equity as cumulative translation adjustments.

When a foreign operation is disposed of, the relevant amount in the accumulated translation account in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income.

Convertible debentures

The Company accounts for its convertible debentures in accordance with the substance of the contractual arrangement on initial recognition. Therefore, as a result of the conversion feature of the debentures, the Company's convertible instruments have been segregated between liability and equity based on the fair value of the liability components. The difference between the estimated fair value of the liability at issuance and the face amount is reflected as "Equity portion of convertible debentures" in shareholders' equity (deficiency) and as a discount in that amount to the liability portion of the debenture. This discount is being accreted to the principal face amount as additional interest expense over the term of the liability using the effective interest rate method.

3. Significant accounting policies (cont'd.)

Property, plant and equipment

Property, plant and equipment is recorded at historical cost or deemed cost less accumulated depreciation and accumulated impairment losses, if any. Improvements that increase the future economic benefit of an asset are capitalized; other repairs and maintenance are expensed. The Company's property, plant and equipment are reviewed for indications of impairment at each reporting date. If indication of impairment exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of (i) fair value less costs of disposal, and (ii) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds it recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis. Impairment losses can be subsequently reversed when an asset recovers in fair value, but must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment been recognized.

Amortization is computed under the straight-line method over the following estimated useful lives:

Equipment, furniture and fixtures	2 to 5 years
Vehicles	4 years
Leasehold improvements	Life of lease

Amortization of equipment under construction begins when they are ready for their intended use.

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effect.

Warrants

The value of warrants are transferred to contributed surplus upon expiration.

3. Significant accounting policies (cont'd)

Share-based payments

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured using the Black-Scholes option pricing model when issued to employees. Where share-based payments are issued to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. If the fair value is not readily determinable the amount is based on the fair value of the equity instrument granted. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

Revenue recognition

Sales revenue is recognized when the significant risks and rewards are transferred to the buyer, which is generally when product is shipped, the sales price and costs incurred or to be incurred can be measured reliably, collectability is probable and significant risks and rewards are transferred to the buyer.

Financial instruments

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Fair value through profit and loss
Trade and other receivables (excluding HST receivable)	Loans and receivables

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Convertible debentures	Other financial liabilities

3. Significant accounting policies (cont'd)

Financial instruments (cont'd)

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to contractual provisions of the instrument.

The Company has the following non-derivative financial assets:

Fair value through profit and loss ("FVTPL")

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statement of loss and comprehensive loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Other financial liabilities

All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities is comprised of accounts payable and accrued liabilities and convertible debentures.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

3. Significant accounting policies (cont'd)

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using 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: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: fair value measurements are based on inputs other than quoted market 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: fair value measurements are those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of June 30, 2014 and June 30, 2013, except for cash, none of the Company's financial instruments are recorded at fair value in the statements of financial position. Cash is classified as Level 1.

Determination of fair values

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Inventory

Raw materials consist of materials that will be consumed in the processing circuit to produce potassium carbonate.

Work in progress represents potassium carbonate that is in the processing circuit that has not completed the production process, and is not yet in a saleable form.

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing each product to its present location and condition. Net realizable value is determined with reference to expected sales price less applicable variable selling expenses.

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in loss except to the extent that the tax relates to items recognized directly in equity or other comprehensive income.

3. Significant accounting policies (cont'd)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive instruments such as options and warrants, adjusted for own shares held. Diluted loss per share has not been presented since the amount would be anti-dilutive.

Standards and amendments effective in the current year

The IASB issued standards and amendments effective for and adopted in the current year. The adoption of the following items had no impact on the Company's consolidated financial statements:

IFRS 10 Consolidated Financial Statements ("IFRS 10") identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns.

IFRS 11 Joint Arrangements ("IFRS 11") establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

IFRS 13 Fair Value Measurements ("IFRS 13") defines fair value and sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

3. Significant accounting policies (cont'd)

New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations that are not yet effective for the period ended June 30, 2014, and have not been applied in preparing these consolidated financial statements are as follows:

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 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, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. 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, 2018.

4. Trade and other receivables

	June 30, 2014	June 30, 2013
HST receivable	$ 3,921	$ 18,777
Trade receivables	5,688	-
Other receivables	921	8,816
	$ 10,530	$ 27,593

5. Property, plant and equipment

	Equipment, Furniture and Fixtures	Vehicles	Leasehold Improvements	Equipment under Construction	Total
Cost					
Balance at June 30, 2013	$ 32,480	$ 68,697	$ 34,887	$ 367,371	$ 503,435
Additions	-	-	-	1,104	1,104
Change in classification	368,475	-	-	(368,475)	-
Dispositions	-	-	-	-	-
Balance at June 30, 2014	400,955	68,697	34,887	-	504,539
Accumulated depreciation					
Balance at June 30, 2013	11,982	20,482	26,514	-	58,978
Depreciation	108,300	18,059	8,588	-	134,947
Dispositions	-	-	-	-	-
Balance at June 30, 2014	120,282	38,541	35,102	-	193,925
Exchange differences	22,114	2,218	215	-	24,547
Net book value as at:					
June 30, 2014	$ 302,787	$ 32,374	$ -	$ -	$ 335,161
June 30, 2013	$ 21,216	$ 49,887	$ 8,682	$ 382,270	$ 462,055

All of the Company's property, plant and equipment are located in Ghana.

6. Accounts payable and accrued liabilities

	June 30, 2014	June 30, 2013
Trade payables	$ 1,594,923	$ 683,176
Accrued liabilities	73,119	28,118
Other advances and interest free loans	82,218	6,392
	$ 1,750,260	$ 717,686

The other advances and interest free loans which are due on demand, were received from companies which have a common director of the Company (note 15).

7. 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	64,991,919	2,960,512
Private placement	4,200,000	398,390
Share issuance costs	-	(17,028)
Balance, June 30, 2014	69,191,919	$ 3,341,874

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)
Private placement warrants	2,100,000	21,610
Balance, June 30, 2014	2,100,000	$ 21,610

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 expired unexercised.

On October 3, 2013, the Company closed the first tranche of a multi-tranche private placement financing of 2,000,000 units at $0.10 per unit for gross proceeds of $200,000. Each unit consists of one common share and one half of one warrant exercisable at $0.30 for a period of eighteen months. The 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 Company allocated the value to the shares and warrants using the unit bifurcation residual method. The value of $189,689 net of issue costs of $4,500 has been attributed to common shares. The value of $10,311 has been attributed to the warrants issued and has been credited to warrants within shareholders' equity.

7. Share capital and warrants (cont'd)

On February 3, 2014, the Company closed the second tranche of a private placement financing of 2,200,000 units at $0.10 per unit for gross proceeds of $220,000. The Company allocated the value to the shares and warrants using the relative fair value method. The value of $208,701 net of issue costs of $12,528 has been attributed to common shares. The value of $11,299 has been attributed to the warrants issued and has been credited to warrants within shareholders' equity.

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

Volatility	100%	(2013 - N/A)
Risk-free interest rate	0.97% to 1.18%	(2013 - N/A)
Expected life (years)	1.5	(2013 - N/A)
Dividend yield	0%	(2013 - N/A)
Share price	$0.06	(2013 - N/A)
Strike price	$0.30	(2013 - N/A)

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, 2012	6,432,525	$ 0.15
Exercise of options at $0.15	(300,000)	0.15
Balance at June 30, 2013	6,132,525	0.15
Cancellation of options	(250,000)	0.15
Balance at June 30, 2014	5,882,525	$ 0.15

The Company had the following stock options outstanding at June 30, 2014:

Grant Date	**Exercise Price ($)**	**Weighted Avg Remaining Life (yrs)**	**Number of Options Outstanding**	**Number of Options Exercisable**
July 7, 2011	0.15	2.02	5,882,525	5,882,525

9. Convertible debentures

During the year ended 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 a 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 year ended June 30, 2014, amounted to $128,808 (2013 - $86,794) comprised of interest of $87,240 (2013 - $61,126), and accretion expense of $41,568 (2013 - $25,668).

As at June 30, 2014, the Company has interest owing of $43,619 (2013 - $Nil)

10. General and administration

		2014		2013
Professional fees	$	176,748	$	156,377
Salaries		735,190		727,646
Travel		80,239		142,230
Office and administration		74,579		203,255
Consulting		186,859		169,673
	$	1,253,615	$	1,399,181

11. 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 as at June 30, 2014, related to the subscription of 800,000 (2013 - 300,000) 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. Subsequent to year end the Company closed on a private placement including all prepaid share subscriptions (note 16).

12. 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 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 June 30, 2014, $6,609 (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.

(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.

12. Financial risk management (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 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	$	3,344	$	6,006	$	9,350
Trade and other receivables		-		6,609		6,609
Accounts payable and accrued liabilities		(190,563)		(97,256)		(287,819)
Total	$	(187,219)	$	(84,641)	$	(271,860)
Effect of +/- 10% change in exchange rate	$	(18,722)	$	(8,464)	$	(27,186)

(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 June 30, 2014, was a deficit of $2,179,383 (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. As at June 30, 2014, the Company has issued $870,000 (2013 - $870,000) of convertible debentures, which come due in May, 2015. Besides the convertible debentures, the Company has not entered into any debt financing except for temporary interest free notes from related parties.

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. There was no change in managements approach to managing capital during the year.

13. Income taxes

Provision for income taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates are as follows:

	2014	2013
Loss before income taxes	$ 1,657,399	$ 1,794,884
Statutory rate	26.50%	26.50%
Expected income tax recovery at combined basic Federal and Provincial tax rate	439,211	475,644
Effect on income taxes of:		
Non capital loss in foreign jurisdiction not recognized	(110,509)	(160,394)
Share issue costs incurred	4,098	3,700
Tax assets not recognized	(332,800)	(318,950)
Income tax expense	$ -	$ -

Deferred Tax Balances

The Company's deferred income tax assets and liabilities are valued using the deferred income tax rate of 26.50%. The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are as follows:

	2014	2013
Non-capital losses carry forward	$ 1,127,400	$ 805,600
Share issuance cost	12,200	12,200
Convertible debenture	(11,700)	(22,700)
Tax assets not recognized	(1,127,900)	(795,100)
Deferred income tax asset	$ -	$ -

Losses Carried Forward

The Company has non-capital losses that will expire, if not utilized, as follows:

2031	$	713,209
2032		1,162,238
2033		1,164,383
2034		1,214,589
Total	$	4,254,419

14. 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.

15. Related party transactions

Transactions with related parties are incurred in the normal course of business. During the year ended, the Company:

a) incurred legal fees recorded as professional fees totalling $60,000 (2013 - $60,000), to a law firm in which a director of the Company is a partner. As at June 30, 2014, $118,450 (2013 - $50,000) remains in accounts payable and accrued liabilities;

b) incurred rent expense, recorded as office and general, totaling $12,000 (2013 - $12,000), to a company controlled by a director. As at June 30, 2014, $34,257 (2013 - $5,000) remains in accounts payable and accrued liabilities; and

c) to date, the Company has received interest free loans from directors and senior officers of the Company, and from companies controlled by the directors and senior officers. The total of these loans amounts to $82,218 (2013 - $6,392), and consists of GHC 99,133, USD $17,000 and CAD $33,000. All of these amounts remain outstanding as at June 30, 2014, and are presented in accounts payable and accrued liabilities.

Key management personnel are comprised of the Company's directors and officers. In addition to their salaries, key management personnel also participate in the Company's share based compensation program.

Salaries and short-term benefits	$ 472,000	$ 472,000

As at June 30, 2014, $865,333 (2013 - $393,333) of key managements' compensation remains in accounts payable and accrued liabilities.

16. Subsequent events

On June 23, 2014, the Company sent letters to the current convertible debenture holders requesting to defer the payments given a potential USD $2,100,000 debenture financing may be completed (the "Debenture Financing"). In addition to the deferral of the interest payments, the current convertible debenture holders were requested to take a second position for security on the assets of the Company behind the investors in the Debenture Financing. Notices of objections were due from the debenture holder on July 3, 2014. As no notices of objections were received, convertible debenture holders accepted their interest payment deferral as well as the second position. In return, the Company agreed to reduce the conversion price of the convertible debentures from $0.10 to $0.06 up until January 31, 2015. The closing of the USD $2,100,000 still awaits funding of the cash.

On August 5, 2014, the Company closed the third tranche of its private placement financing of 1,300,000 units at a $0.10 per unit for gross proceeds of $130,000.