



# Organic Potash Corporation

March 31, 2016

Management's Discussion and Analysis ("MD&A")

May 27, 2016

## Introduction

The following discussion and analysis is a review of operations, current financial position and outlook for Organic Potash Corporation (the "**Company**" or "**OPC**") and should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2015, and the unaudited condensed interim consolidated financial statements for the three and nine month periods ended March 31, 2016. Results are presented for the three months ended March 31, 2016 and 2015. Amounts are reported in Canadian dollars based upon the unaudited condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards.

This MD&A provides management's view of the financial condition of the Company and the results of its operations for the reporting periods indicated. Additional information related to OPC is available as filed on the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).

## Forward-looking information

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, the future price of resources, the estimation of resources, the realization of resource estimates, the timing and amount of estimated future production, costs of production, capital and operating expenditures, access to sufficient liquidity and capital resources, requirements for additional capital, government regulations and limitations of insurance coverage. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "foresees" or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on assumptions. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; future prices of resources; possible variations recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the industry; political instability; delays in obtaining financing or in the completion of construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A, and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or result, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **General Development of the Business**

### Company Overview

The Company (originally incorporated under the name Ghana Canada Resources Inc.) was incorporated in Ontario on June 26, 2009. The Company has two subsidiaries, both incorporated under the laws of Ghana, GC Purchasing Ltd. (“GCP”) and GC Resources Ltd. (“GCR”). The Company is engaged in the production and export of potassium carbonate produced from agricultural waste, in particular, cocoa husks. The Company trades on the Canadian Securities Exchange under the symbol OPC.

On July 31, 2009, GCR entered into a license agreement with GC Technology Limited (“Technology”), acquiring the rights to manufacture and sell organic potassium carbonate produced using Technology’s patented process to manufacture industrial grade potassium carbonate from the ash of cocoa husks. As the agreement was originally signed with GC Resources Ltd., on July 1, 2014, a revised license was signed directly with OPC on the same terms and conditions save as to a renewal of the terms. The Company then sub-licensed with GC Resources Ltd. exclusively and limited to Ghana on the same date.

The Company’s head office is located in Canada, with a subsidiary office located in Accra, Ghana. Currently, the Company has a smaller scale prototype plant in Tema, Ghana, which has the capability to produce finished goods. The Company has been assessing its structure and considering its options in order to work on strategic initiatives associated with raising additional funds and achieving production.

Ghana is the second largest cocoa producer in the world and shares a border with the largest cocoa producer in the world, the Ivory Coast. The combined cocoa production of Ghana and the Ivory Coast accounts for approximately 60% of the world’s cocoa production.

### Sales and Operations Update

During the period, the Company has been working on financing its operations and seeking out strategic partnerships for joint ventures. Due to the delays in financing, during the 2015 year, the Company shut down the operations of its plant in Ghana and laid off its plant staff in order to conserve its capital.

The Company has been exploring different opportunities in order to finance its operations. Upon the Company completing a financing and finalizing changes to the plant, the Company will remain focused on optimizing sales quantities to the customers who have purchased from its sales to date and expanding the customer base.

### Ghana Sale and Financing

During the period, the Company entered into agreements with Mclean Ghana Ltd. (“MGL”) (a corporation controlled by Mr. Augustus Tanoh a director of OPC) in order to facilitate the receipt of funding necessary to construct and operate a production facility in Ghana. The effective date of the transaction was on November 18, 2015, upon the registrar of companies certifying the transfer of the shares. The agreement with MGL is as follows:

- MGL has purchased fifty-five percent (55%) of the issued and outstanding shares of GC Resources Ltd. (“GC”) from OPC for the sum of one hundred Canadian dollars (\$100) and the successful raise of funds, in the form of mixed grant and interest free debt, from the Export Trade, Agricultural & Industrial Development Fund of Ghana (“ETAIDFG”) of 8,832,000 Ghana Cedis (approximately three million Canadian dollars (\$3,000,000)) (“Raise of Funds”).

- OPC maintains 50% of the Board of GC, and it is agreed that prior to any payments being completed, approval must be received from an OPC designated representative. Mrs. Heather Welner, Chairwoman and CEO of OPC, shall remain as Chair of GC.
- An option agreement was also executed where-in-which, after the Raise of Funds has been completed OPC may repurchase the 55% of GC, acquired by MGL, at any time, by paying MGL, one hundred Canadian dollars (\$100.00 CAD) plus three hundred and fifty thousand (350,000) common share options at \$0.05 of OPC and repaying all of the amounts advanced by the ETAIDFG.
- MGL shall have until June 10, 2016 to complete the Raise of Funds, or OPC may repurchase the shares for one hundred Canadian dollars (\$100.00 CAD).

#### *Ivory Coast Operations and Subscription of Shares*

On November 20, 2015, the Company signed a Joint Venture Agreement (“JV”) with New Commodity Ventures (“NCV”). Under the terms of the JV, OPC and NCV will incorporate a new company (“JVco”), with each of OPC and NCV owning 50%, which will be granted an exclusive sublicense for the production and sale of potassium carbonate in the Ivory Coast. The sublicense will have a royalty rate of 5% of gross sales, payable quarterly up until US\$800,000 has been paid annually, and then the royalty will be reduced to 1.5%. The term of the license will be for the same period as OPC’s current license with GC Technology.

Under the terms of the JV, OPC will provide the license, technology expertise, marketing and sales expertise and such other support as may be appropriate with the design and implementation of the plant facility, without being responsible for any hard costs. NCV will be responsible to raise all funds necessary for the start-up and continued operation of the JV, not to be less than USD\$2,000,000. NCV will also be responsible for recruiting the local team, management of the day to day administration and operations as well as developing and structuring the supply chain in the Ivory Coast.

In November 2015, OPC announced that significant progress has been accomplished in the preparatory work to establish a production facility. The following has occurred: a business plan produced by Deloitte confirmed the viability and potential profitability of the facility in the Ivory Coast: a 2 acre facility site has been identified in the south-western region of the country about 1.5 hours from the port, in an area where the bulk of cocoa processors in the country are located: it has been established that current in-country demand for potassium carbonate will absorb all targeted production and there is no local other supply source in the Ivory Coast: supply chain contracts for at least 300,000 tonnes of cocoa husk are in negotiations and the core management team has been assembled.

In conjunction with the JV, NCV purchased 2,916,667 common shares of the Company at US\$0.06 per share. The total subscription value was US\$175,000 of which US\$100,000 was paid leaving a balance of US\$75,000 outstanding. 1,250,000 of the common shares are held in escrow until the outstanding balance is paid.

In order to accommodate the progress of developments, the Company has agreed that the payment of the remaining US\$75,000 will be received in full on or before August 31, 2016.

## Selected Financial Information and Management's Discussion and Analysis

### Summary of Quarterly Results

The following table sets out selected unaudited financial information, presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards (“IFRS”), for each of the last eight quarters ended, up to and including March 31, 2016. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned quarters.

<b>Year</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
<b>Ending</b>	<b>March 31</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Finance Income (Loss) <sup>(1)</sup>	127,781	43,232	64,160	(174,474)
Working Capital (Deficit)	(3,283,182)	(3,250,904)	(3,409,839)	(3,293,043)
Expenses (Recovery)	161,567	6,108	(52,988)	398,281
Net Income (Loss)	(161,567)	(6,108)	52,988	(398,281)
Net Income (Loss) (per Share)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

<b>Year</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
<b>Ending</b>	<b>March 31</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>
Revenue	\$ Nil	\$ 7,248	\$ 12,663	\$ 17,201
Finance Income (Loss) <sup>(1)</sup>	123,189	17,880	44,371	(94,000)
Working Capital	(3,293,043)	(3,172,402)	(2,833,787)	(2,514,544)
Expenses	10,215	339,935	344,955	522,625
Net Loss	(10,215)	(332,687)	(332,292)	(505,424)
Net Loss (per Share)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

(1) Finance Income (Loss) consists of interest expense, accretion, interest income and foreign exchange gain (loss).

### Discussion on Results of Quarterly Operations

#### *Revenue*

During the three months ended March 31, 2015 and 2014, the Company did not complete any sales as it remains focused on financing the Company and seeing out joint ventures, and successfully signed agreements to restructure operations in Ghana, and signed a JV in the Ivory Coast. Continuing sales is dependent on the Company obtaining financing in order to continue producing and marketing the products.

#### *Finance Income (Loss)*

During the quarter ended March 31, 2016, the Company incurred a finance loss of \$127,781 compared to a finance income of \$123,189 during the three month period ended March 31, 2015. The interest during the two periods were comparable, however no accretion was incurred during the three months ended March 31, 2016. The remaining fluctuations related to foreign exchange differences between the

Canadian dollar compared to the United States Dollar and Ghanaian Cedi resulted. A significant portion of the foreign exchange gain relates to intercompany debt.

#### *General and Administration Expenses*

For the three month period ended March 31, 2016, general and administration expenses were \$26,974 compared to \$44,622 for the three month period ended March 31, 2015. The reason for the significant decrease was due to all executives of the Company ceasing to accrue any fees payable, certain consultants no longer being paid or accruing fees and the layoff of the plant workers. The Company plans to keep these significant cost cutting mechanisms in place until the Company is successful with its financing. The remaining general and administration costs incurred are mostly being accrued and remain payable.

#### *Operating Expenses*

During the quarter ended March 31, 2016, the Company had significant decrease in operating expenses from the quarter ended March 31, 2015 of approximately \$26,498 to \$4,616. There was a significant decrease as operations had been fully halted during the period from July 1, 2015 to March 31, 2016; the Company incurred costs related to the disposition of certain inventory and other small costs associated with operations. The Company is focusing on maintaining a low level of operating expenses until it is able to close on a financing large enough to move the plant to a new location and obtain key certifications to be able to be service target industries.

#### *Working Capital*

The working capital slightly decreased during the three month period ended March 31, 2016 due to decrease in cash and other receivables. On November 20, 2015 the Company signed a Joint Venture Agreement (“JV”) with New Commodity Ventures (“NCV”). In conjunction with this agreement NCV purchased 2,916,667 common shares of the Company at US\$0.06 per share. The total subscription value was US\$175,000 of which US \$100,000 was paid leaving a balance of US\$75,000 outstanding. The other receivables balance represents an outstanding balance of US\$75,000 expressed in Canadian Dollars.

Overall deficit continued to increase as the Company continued to incur costs while pursuing a financing. The working capital deficit had a significant increase between the quarter ended March 31, 2014, and the quarter ended June 30, 2014, due to the convertible debentures, as they came due at the end of May, 2015.

#### *Going Concern*

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. There can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

The financial statements associated with this MD&A have been prepared in accordance with IFRS applicable to an entity expected to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments other than in the normal course of business and at amounts different from those in the accompanying financial statements. Adjustments to the statement of financial position would be material if the Company was unable to continue as a going concern.

### Liquidity, Capital Resources and Financings

As at March 31, 2016, the Company had a cash balance of \$64,482 (June 30, 2015, – \$3,019) and working capital deficit of \$3,283,182 (June 30, 2015 - \$3,346,475). The Company’s commitments consist of the royalty under the licensing agreement. As the Company currently has negative working capital, additional financing is required to pay for capital, operating and administrative costs to move the business forward.

### Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

### Commitments and Contingencies

The Company currently has 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 shall expire on June 30, 2035, and has an automatic renewal for an additional 20 years. As consideration for the license granted, the Company 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.

### Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business.

During the three and nine month periods ended March 31, 2016, the Company incurred legal fees of \$Nil (2015 - \$Nil and \$30,000) to a law firm in which a director of the Company is a partner. As at March 31, 2016, \$148,450 (June 30, 2015 - \$148,450), remains in accounts payable and accrued liabilities.

During the three and nine month periods ended March 31, 2016, the Company incurred rent expense, recorded as office and general, totaling \$Nil (2015 - \$Nil and \$6,000) to a company controlled by a director. As at March 31, 2016, \$47,986 (June 30, 2015 - \$47,576), remains in accounts payable and accrued liabilities.

The Company has received interest free loans from directors and senior officers of the Company, and from company’s controlled by the directors and senior officers. The total of these loans amounts to \$304,120, and consists of GHS 231,717, US\$62,200 and CDN\$163,416. All of these amounts remain outstanding as at March 31, 2016, and are presented as loans payable.

As at March 31, 2016, \$1,102,081 (June 30, 2015 - \$1,102,081) of key managements’ compensation remains in accounts payable and accrued liabilities.

### Outstanding Share Data

For information regarding outstanding share capital and dilutive instruments of the Company, please see the table presented below as at March 31, 2016.

Common shares	73,408,586
Stock options	2,350,000
Convertible Debentures <sup>(1)</sup>	21,750,000

(1) Includes the dilution from the warrants that would be issued as part of the conversion of the debentures.

### Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, assumptions and estimates that affect the financial results of the Company. These estimates are reviewed regularly, but changes in circumstances and new information may result in actual results that differ materially from current estimates.

Significant areas requiring the use of management estimates relate to the calculation of deferred taxes, allocations to share issue costs, functional currency, amounts allocated to the liability versus equity components of convertible debentures, movement from property, plant and equipment under construction, useful life and impairment indicators, and assumptions used for the Black-Scholes option pricing model for the valuation of warrants and share-based payments.

### Recent Accounting Pronouncements Issued and Not Yet Applied

New standards, amendments to standards and interpretations are not yet effective for the period ended March 31, 2016, and have not been applied in preparing these interim consolidated financial statements are:

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. Earlier adoption is permitted.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”) was issued by the IASB in May, 2014. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017 and is to be applied retrospectively. Early adoption is permitted. The Company intends to adopt IFRS 15 on its effective date and has not reviewed the effects of this future policy change.

### Risk Factors

The Company is exposed to a variety of risks and uncertainties, including, but not limited to the risks set out below:

#### *No Ongoing Operations and No Production History*

The Company will be a potassium carbonate producer and export company with no current or historical producing operations or revenue.

### *The Company's Operations are Subject to Operational Risks and Hazards Inherent in the Potassium Carbonate Industry*

The Company's business will be subject to a number of inherent risks and hazards, including; environmental pollution, accidents or spills; industrial and transportation accidents, which may involve hazardous materials; labour disputes; power disruptions, accidents; failure of plant and equipment to function correctly, the inability to obtain suitable or adequate equipment, fires; blockades or other acts of social activism; changes in the regulatory environment; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, and technical failure of production methods. There is no assurance that these risks will not have adverse effects on the Company.

### *The Company Will Require Additional Capital in the Future*

The Company has limited financial resources. The Company will continue to make substantial capital expenditures related to development and production. The development of the potassium carbonate manufacturing plant and related activities can require significant expenditures, with a period of time occurring before production can commence. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner on commercially acceptable terms, if at all. Failure to obtain such additional financing could result in delay or indefinite postponement of development of its potassium carbonate project.

### *Environmental Risks and Hazards*

The Company's operations will be subject to environmental regulation in the jurisdictions in which it operates. These regulations set forth limitations on the general, transportation, storage and disposal of waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

### *Government Regulation*

The Company's planned production and export activities may be subject to various laws governing production, export, taxes, labour standards and occupational health, safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes its production and export activities will be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulation governing operations or more stringent implementation thereof could have an impact on the Company and cause increased expenditures or reduction in levels of production.

### *Cocoa Husk Risks*

The Company is dependent on the cocoa husks to be supplied by the cocoa farmers in Western Africa. If harm were to come to the cocoa crop through natural disasters such as flood, drought or disease among others, the Company's ability to produce potassium carbonate could be significantly impacted. If other technologies were to be created which call for the use of cocoa husks, the Company would be exposed to competition in obtaining the husks.



### *Competition*

The industry is competitive and the product is typically produced through the extraction of potassium carbonate or potash through mining. The Company will be competing with established potash companies in the mining industry for initial sales. The Company has no firm purchase commitments from any customers due to the early stage of operations. As the Company's potassium carbonate is produced through a manufacturing process converting cocoa husks to potassium carbonate, customers may be hesitant with purchasing from the Company versus a competitor. Such competition may result in the Company being unable to acquire desired entry in the market.

### *Political Risk*

The Company's future prospects may be affected by political decisions about the potassium carbonate market. There can be no assurance that the Canadian, Ghanaian, or other government or quasi-governmental authority will not enact legislation or other rules affecting the production of potassium carbonate, or restricting to whom the Company can sell to.