



# Organic Potash Corporation

December 31, 2018

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

February 21, 2019

## 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, 2018 and unaudited condensed interim consolidated financial statements for the three and six-month periods ended December 31, 2018. Results are presented for the three and six months ended December 31, 2018 and 2017. 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 a former subsidiary GC Resources Ltd. (“GCR”), in which it now holds a minority position, incorporated under the laws of Ghana, with its head office located in Accra, Ghana. The Company has been 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. In 2016 the operations are on hold pending additional funding. The address of the Company’s registered office is 10 Wilkinson Road, Suite 22, Brampton, Ontario, L6T 5B1, Canada.

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. This license continues on a month to month basis.

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

#### Ghana Operations

In 2015, 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 will purchase 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 (“EDAIF”) of 8,832,000 Ghana Cedis (approximately three million Canadian dollars (\$3,000,000) (“Raise of Funds”). Closing will occur on the date of the first draw down on the EDAIF facility. As at December 31, 2018, no funds have been received.
- The conveyance of shares has occurred however the date for successful raise of funds expired. The first renewal was granted until December 31, 2016 at which time if not complete the shares were to revert to the Company. However, the Company had to extend the expiry date to June 30, 2017 due to Ghana electing a new party in Government. Loan/grant applications will be resubmitted under new regime. After June 30, 2017, the Company continued the agreement on a month to month basis.

- OPC will maintain 50% control 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. The 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 the amounts advanced by the EDAIF.

#### *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. As at December 31, 2018, the Joint Venture has not commenced operations and has no assets and liabilities.

In conjunction with the JV, NCV purchased 2,916,667 common shares of the Company at US\$0.06 per share for the total subscription value of US\$175,000.

## 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 December 31, 2018:

<b>Year</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>
<b>Ending</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Finance Income (Loss) <sup>(1)</sup>	81,564	(33,019)	39,475	33,684
Working Capital (Deficit)	(851,232)	(825,708)	(1,043,822)	(2,717,602)
Expenses (Recovery)	(78,574)	63,940	(1,604,086)	(21,311)
Net Income (Loss)	78,574	(63,940)	1,604,086	21,311
Net Income (Loss) (per Share)	0.00	(0.00)	0.02	0.00

<b>Year</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
<b>Ending</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
Revenue	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Finance Income (Loss) <sup>(1)</sup>	7,074	(73,156)	(64,129)	13,933
Working Capital	(2,684,156)	(2,662,365)	(2,653,926)	(2,609,777)
Expenses	11,269	85,619	161,360	32,972
Net Income (Loss)	(11,269)	(85,619)	(161,360)	(32,972)
Net Loss (per Share)	(0.00)	(0.00)	(0.01)	(0.01)

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

### *Revenue*

During the three and six months ended December 31, 2018, the Company did not complete any sales as it remains focused on financing, seeing out joint ventures, working on restructuring operations in Ghana, and 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 three months ended December 31, 2018, the Company incurred a finance income of \$81,564 compared to a finance income of \$7,074 during the three-month period ended December 31, 2017. The interest expense was low as most of the debentures were converted to common shares, no accretion was incurred. 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.

### *Working Capital*

The working capital deficit decreased period over period from \$2,684,156 in the quarter ended December 31, 2017 to \$851,232 in the quarter ended December 31, 2018 due to increase in cash and debt forgiveness.

On May 29, 2018, the Board of Directors agreed that the outstanding non-cash fees of \$1,579,943 owing to the current and former directors that remained in accounts payable and accrued liabilities should be forgiven. This resulted in a gain of settlement of debt of \$1,579,943 that was booked in the statement of income (loss) and comprehensive income (loss) at June 30, 2018.

On July 9, 2018, the Company completed the non-brokered private placement for gross proceeds of \$110,000 comprising of 5,500,000 units at a purchase price of \$0.02 per unit.

On August 27, 2018, the Company converted \$235,301 worth of cash debt to equity at \$0.02 per share for a total of 11,765,049 common shares. All conversions were executed by members of the Board of Directors.

The working capital had a significant increase during the year ended June 30, 2016 due to the convertible debenture. On May 31, 2015, the Company's \$870,000 in convertible debentures came due and conversion feature expired. As the Company has been unable to raise funds to repay the debentures, it continued to accrue interest until June 8, 2016. On June 9, 2016, the Board of Directors approved offering a conversion at CDN\$0.06 per share. It also permitted the conversion of all accrued interest at this time. Thus, on June 29, 2016, a total of \$650,000 of debentures and \$154,174.50 of accrued interest were converted to 13,402,077 common shares that were issued to various debenture holders.

On July 21, 2016, a total of \$20,000 of debentures and \$4,885 of accrued interest were converted to 414,728 common shares that were issued to the debenture holders. For the year ended June 30, 2017, a gain of \$13,333 was recorded on the statement of income and comprehensive loss as a result of the extinguishment of debentures and a gain of \$3,256 as a result of the debenture interest conversion.

On December 31, 2018, the Company recorded a gain of \$15,751 on the statement of income and comprehensive loss as a result of the extinguishment of debentures and interest.

As at December 31, 2018, the Company had \$190,000 (June 30, 2018-200,000) of debentures remaining outstanding with accrued interest of \$114,700 included in accounts payable and accrued liabilities (June 30, 2018 - \$110,620).

### *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 December 31, 2018, the Company had a cash balance of \$60,417 (June 30, 2018 – \$101,664) and working capital deficit of \$851,232 (June 30, 2018 - \$1,043,822). 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 royalty fee per year. No payments have been made to date under this arrangement.

#### Transactions with Related Parties

On May 29, 2018, the Company agreed with current and former directors that the outstanding non-cash fees of \$1,579,943 owing would be forgiven. This resulted in a gain of settlement of debt of \$1,579,943 to be booked in the statement of income (loss) and comprehensive income (loss) at the year ended June 30, 2018.

On July 9, 2018, the Company issued 625,000 shares valued at \$12,500 to the Chief Financial Officer as compensation for services for the fiscal year 2019.

As at December 31, 2018, the Company:

- a) has no balance owing to a law firm in which a director of the Company is a partner (at June 30, 2018 - \$Nil remained in accounts payable and accrued liabilities).
- b) has no balance owing to a relative of a director for IT consulting services (June 30, 2018 - \$Nil remained in accounts payable and accrued liabilities).

During the three and six months ended December 31, 2018, The Company incurred IT consulting services of \$1,500 and \$3,000 respectively.

- c) As at December 31, 2018 and June 30, 2018, the Company has 1,675,000 stock options granted to key management.
- d) has no balance owing to key management (June 30, 2018 - \$Nil of key management's compensation remained in accounts payable and accrued liabilities).
- e) has a balance of \$46,756 owing to a company controlled by two directors of the Company (June 30, 2018- \$46,756 remained in accounts payable and accrued liabilities).

On August 27, 2018, the Company converted \$235,301 worth of cash debt to equity at \$0.02 per share for a total of 11,765,049 common shares. All conversions were executed by members of the Board of Directors.

As at December 31, 2018, the Company has the 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 \$76,745 (June 30, 2018 - \$312,204), and consists of GHC 238,349, USD \$7,200. These amounts remain outstanding as at December 31, 2018 and are presented in loans payable and 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 February 21, 2019:

Common shares	106,615,440
Stock options	3,600,000
Debentures	3,166,667

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 and interpretations that are not yet effective for the period ended December 31, 2018, and have not been applied in preparing these condensed consolidated interim 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 the expected loss impairment method to be used, replacing the incurred loss impairment method in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact on its financial statements.

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, 2018 and is to be applied retrospectively. Early adoption of IFRS 15 is permitted. The Company has assessed that IFRS 15's impact will not be material to the financial statements.

IFRS 16 - Leases sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers. The Company is in the process of evaluating the impact on its financial statements.

#### Liquidity, Capital Resources and Business Prospects

The unaudited interim consolidated financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the six months ended December 31, 2018, cash used in operations by the Company was \$41,247 (\$47,906 for the six months ended December 31, 2017) and the Company carried an accumulated deficit of \$6,180,837 (June 30, 2018- \$6,195,471). Furthermore, the Company had not generated revenue from operations. While management is able to control the timing of significant capital expenditures, it has certain on-going cash obligations. At present the Company has assessed it may have sufficient cash balance to meet required operating expenditures through the end of fiscal 2019. As such, in management's judgment there remains the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing.



### *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.