



# **ORGANIC POTASH CORPORATION**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

(Expressed in Canadian Dollars)

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Organic Potash Corporation

### *Opinion*

We have audited the consolidated financial statements of Organic Potash Corporation, (the Company), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018 and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

Without qualifying our opinion, we draw attention to Note 1 of 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. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information comprises the Management's discussion and analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen McCourt.

*RSM Canada LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
October 28, 2019  
Toronto, Ontario

# Organic Potash Corporation

Consolidated Statements of Financial Position

As at June 30, 2019 and 2018

(Expressed in Canadian Dollars)

	<b>June 30</b>	<b>June 30</b>
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 40,995	\$ 101,664
Other receivables (note 4)	3,696	3,772
Prepays (note 4)	446	13,393
<b>Total Assets</b>	<b>\$ 45,137</b>	<b>\$ 118,829</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 14)	\$ 612,878	\$ 650,447
Loans payable (notes 6 and 14)	66,662	312,204
Debentures (note 9)	130,000	200,000
	809,540	1,162,651
<b>Shareholders' Deficiency</b>		
Share capital (note 7)	\$ 4,439,645	\$ 4,036,844
Shares to be issued (note 7)	-	110,000
Contributed surplus (note 8)	1,420,884	1,420,884
Accumulated other comprehensive loss	(403,830)	(416,079)
Deficit	(6,221,102)	(6,195,471)
	(764,403)	(1,043,822)
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 45,137</b>	<b>\$ 118,829</b>

Nature of operations and going concern (note 1)

Commitments (note 13)

Approved by the Board

"Heather Welner"

Director

"Wally Rudensky"

Director

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

# Organic Potash Corporation

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

	<b>2019</b>	<b>2018</b>
Sales	\$ -	\$ -
General and administration (note 10)	74,404	58,511
Share-based compensation (note 8)	12,500	-
Finance costs	17,606	20,000
Foreign exchange gain	(16,730)	(27,077)
Gain on extinguishment of debenture and interest (notes 7, 9 and 14)	(62,149)	(1,579,943)
Loss (income) before provision for income taxes	25,631	(1,528,509)
Income taxes (note 12)	-	-
Net income (loss) for the year	(25,631)	1,528,509
Other comprehensive income (loss)		
Items that may be reclassified to income		
Exchange gain (loss) on translating to presentation currency	12,249	(28,405)
Income (loss) and comprehensive income (loss) for the year	\$ (13,382)	\$ 1,500,104
Income (loss) per common share, basic and diluted	\$ (0.00)	\$ 0.02
Weighted average number of common shares, basic and diluted	104,993,528	88,725,391

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

# Organic Potash Corporation

Consolidated Statements of Changes in Equity

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Shares to be issued	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity (Deficiency)
Balance as at June 30, 2017	\$ 4,036,844	\$ 1,420,884	\$ -	\$ (387,674)	\$ (7,723,980)	\$ (2,653,926)
Shares to be issued (note 7)	-	-	110,000	-	-	110,000
Income (loss) and comprehensive income (loss) for the year	-	-	-	(28,405)	1,528,509	1,500,104
Balance as at June 30, 2018	4,036,844	1,420,884	110,000	(416,079)	(6,195,471)	(1,043,822)
Issuance of shares, net of issue costs (note 7)	110,000	-	(110,000)	-	-	-
Stock-based compensation (note 7)	12,500	-	-	-	-	12,500
Issuance of shares for debt settlement (notes 7 and 9)	280,301	-	-	-	-	280,301
Income (loss) and comprehensive income (loss) for the year	-	-	-	12,249	(25,631)	(13,382)
Balance as at June 30, 2019	\$ 4,439,645	\$ 1,420,884	\$ -	\$ (403,830)	\$ (6,221,102)	\$ (764,403)

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

# Organic Potash Corporation

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

	2019	2018
Cash flows provided by (used in):		
<b>Operating activities</b>		
Net income (loss) for the year	\$ (25,631)	\$ 1,528,509
Items not affecting cash:		
Share-based compensation (note 8)	12,500	-
Gain on extinguishment of debenture and interest (notes 7 and 9)	(62,149)	(1,579,943)
Foreign exchange gain (loss)	21,141	(31,376)
Net changes in non-cash working capital:		
Other receivables	76	(314)
Prepays	12,947	(11,347)
Accounts payable and accrued liabilities	(19,553)	20,018
<b>Cash used in operations</b>	<b>(60,669)</b>	<b>(74,453)</b>
<b>Financing activities</b>		
Proceeds from shares to be issued (note 7)	-	110,000
<b>Cash provided by financing</b>	<b>-</b>	<b>110,000</b>
Increase (decrease) in cash	(60,669)	35,547
Cash, beginning of the year	101,664	66,117
<b>Cash, end of the year</b>	<b>\$ 40,995</b>	<b>\$ 101,664</b>
<b>Non-cash transactions</b>		
Settlement of debt with equity	\$ 280,301	\$ -

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

# Organic Potash Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 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 development of production 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, 2019, and 2018, were approved and authorized for issue by the Board of Directors on October 24, 2019.

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 consolidated statement of financial position could 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”) as issued by the International Accounting Standards Board and the interpretations of the IFRS Interpretations Committee.

### (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.



# Organic Potash Corporation

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 2. Basis of presentation (continued)

### (b) Basis of consolidation

The consolidated financial statements of the Company include the Company and its wholly-owned subsidiary, GC Purchasing Ltd. (“GC Purchasing”) and GC Resources Ltd. (“GC Resources”) of which the Company owns 45% (2018 - 45%). In 2016, the Company legally transferred 55% of the shares of GC Resources pursuant to the agreement described in Note 14. Given the terms of the agreement including provisions to cancel the transferred shares, the Company continues to control this subsidiary and has consolidated 100% the activity. Intercompany balances and transactions are eliminated in preparing these consolidated financial statements.

### (c) Functional and presentation currency

The 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.

### (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 consolidated 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) **Share-based payments:** Charges for share-based payments are based on the fair value at the date of issuance. The share-based payments are valued using Black-Scholes option pricing model; inputs to the model include assumptions on share price volatility, discount rates and expected life.
- (iii) **Functional currency:** Judgment is required to determine the functional currency of the parent and its subsidiaries. These judgments are evaluated when circumstances change. Judgments are based on management’s experience and knowledge of the relevant facts and circumstances, including the currency that influences the cost, financing and the currency in which funds are retained.

# Organic Potash Corporation

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 2. Basis of presentation (continued)

- (iv) **Compound financial instruments:** Certain financial instruments comprise a liability and an equity component. This is the case with the convertible debentures issued by the Company.

The determination of the amount allocated to the liability and equity components requires management to estimate various components and characteristics of present value calculations used in determining the fair value of the instrument, and the market interest rates of non-convertible debentures.

- (v) **Consolidation:** The Company exercises judgment in determining whether it controls entities where it holds less than half of the voting rights. To make this assessment, the Company considers the relevant terms of the related agreements, including rights to board representation, legal restrictions, and cancellation provisions.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

### 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:

	<b>Country of Incorporation</b>	<b>Ownership Interest Total</b>
GC Resources Ltd.	Ghana	45%
GC Purchasing Ltd.	Ghana	100%

# Organic Potash Corporation

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

## 3. Significant accounting policies (continued)

### Change in accounting standards

#### IFRS 9, Financial Instruments (“IFRS 9”)

This standard replaced IAS 39, Financial Instruments: Recognition and Measurements. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS39. 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. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss (“FVTPL”) and amortized cost. Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied. On July 1, 2018, the Company adopted IFRS 9 using a modified retrospective basis and the financial statements on that date were as follows, with any reclassifications from June 30, 2018 noted.

	Classification category		Measurement		Carrying amount at July 1, 2018		
	Original	New	Original	New	Original	New	Difference
Financial instruments	(IAS 39)	(IFRS 9)	(IAS 39)	(IFRS 9)	(IAS 39)	(IFRS 9)	
<b>Assets</b>							
Cash	FVTPL	Amortized cost	FVTPL	Amortized cost	101,664	101,664	-
<b>Liabilities</b>							
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost	650,447	650,447	-
Loan payable	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost	312,204	312,204	-
Debentures	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost	200,000	200,000	-

### 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 re-translated 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.

# Organic Potash Corporation

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 3. Significant accounting policies (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation 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.

### (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.

### Joint arrangements

The Company determines whether a joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

# Organic Potash Corporation

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 3. Significant accounting policies (continued)

### Joint arrangements (continued)

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Where the Company determines the joint arrangement represents a joint venture, the Company recognizes its interest in a joint venture as an investment and accounts for this investment using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Company's share of the net assets of the joint venture. The Company's share of the joint venture's profit or loss and other comprehensive income is included in Company's profit or loss and other comprehensive income, respectively.

### 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. Once the conversion feature expires, the amount recorded as equity portion of convertible debentures is transferred to contributed surplus.

### Settlement of debt

In the event the Company settles debt by way of issuance of shares to third parties, the shares are measured at fair value and the difference between the debt settled and the fair value of the shares are recognized as a gain or loss in the statement of income (loss) and comprehensive income (loss). For debt settled to shareholders acting in its capacity as a shareholder, the shares are measured at the amount of the debt settled.

### 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 is transferred to contributed surplus upon expiration.

# Organic Potash Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 3. Significant accounting policies (continued)

### 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.

### Financial instruments

Financial assets are required to be initially measured at fair value and subsequently classified at amortized costs or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets include cash are classified as amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Financial liabilities include accounts payable and accrued liabilities, loan payable and debentures are initially measured at fair value and subsequent classified as amortized cost.

### 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, 2019, and June 30, 2018, the carrying value of the financial instruments approximate fair value due to their short-term nature.

# Organic Potash Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 3. Significant accounting policies (continued)

### Income taxes

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

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.

### Income (loss) per share

The Company presents basic and diluted income (loss) per share data for its common shares. Basic income (loss) per share is calculated by dividing the income (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 income (loss) per share is determined by adjusting the income (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 income (loss) per share has not been presented since the amount would be anti-dilutive.

### New standards and interpretations not yet adopted

New standards and interpretations that are not yet effective for the year ended June 30, 2019, and have not been applied in preparing these consolidated financial statements are as follows:

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 preliminarily has assessed that IFRS 16's impact will not be material to the financial statements.

# Organic Potash Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

## 4. Prepaids and Other receivables

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
HST receivable	\$ 3,696	\$ 3,772
Prepaids	446	13,393
	<b>\$ 4,142</b>	<b>\$ 17,165</b>

## 5. Investment in Joint Venture

### *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 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 (note 13).

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 June 30, 2019, the Joint Venture has not commenced operations and has no assets and liabilities.

## 6. Loans payable

The loans payables consist of advances and interest free loans which are due on demand and were received from companies which have a common director of the Company (note 14) and former directors of the Company.

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Beginning balance	312,204	315,175
Settlement of debt with equity (note 7)	(235,301)	-
Foreign exchange	(10,241)	(2,971)
Ending balance	<b>66,662</b>	<b>312,204</b>



# Organic Potash Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

## 7. Share capital

Authorized: an unlimited number of common shares Issued and outstanding:

	Common Shares	Amount \$
Balance, June 30, 2017	88,725,391	4,036,844
Balance, June 30, 2018	88,725,391	4,036,844
Issuance of shares, net of issue costs	5,500,000	110,000
Stock-based compensation (note 8)	625,000	12,500
Issuance of shares for debt settlement (notes 6 and 9)	13,265,049	280,301
Balance, June 30, 2019	108,115,440	4,439,645

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

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.

On August 27, 2018, the Company converted \$235,301 of loan payable 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.

On March 29, 2019, \$60,000 of debentures were converted to 1,500,000 common shares valued at \$45,000 that were issued to various debenture holders.

A gain of \$46,398 was recorded on the statement of income and comprehensive loss as a result of the extinguishment of debentures and interest.

## 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, 2018	3,600,000	0.08
Balance at June 30, 2019	3,600,000	0.08

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## 8. Share-based payments (continued)

The Company had the following stock options outstanding at June 30, 2019:

<b>Grant Date</b>	<b>Exercise Price (\$)</b>	<b>Weighted Avg Remaining Life (yrs)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Exercisable</b>
March 17, 2016	0.08	1.82	250,000	250,000
September 29, 2016	0.08	2.25	3,350,000	3,350,000

No options were granted in 2019.

During the year ended June 30, 2019, the Company issued 625,000 shares valued at \$12,500 (Nil during the year ended June 30, 2018) to the Chief Financial Officer as compensation for services.

## 9. 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 matured 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 conversion option has expired as of June 30, 2019. The debentures are no longer convertible. The debentures are secured by all of the assets of the Company.

The convertible debentures were 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 was 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.

During the year ended June 30, 2015, the Company adjusted the conversion price of the convertible debentures from \$0.10 to \$0.06. As a result of this change in the terms of the convertible debentures, the Company recorded the value of the change in the value of the conversion option as a finance cost of \$150,880. The finance cost was calculated based on the Black-Scholes option pricing model of the change in the conversion feature.

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## 9. Debentures (continued)

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 \$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. A gain of \$433,333 was recorded on the statement of income and comprehensive loss as a result of the extinguishment of debentures and a gain of \$102,783 as a result of the debenture interest conversion.

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. 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 extinguished a total of \$10,000 debentures and \$5,751 of accrued interest and recorded a gain of \$15,751 on the statement of income and comprehensive loss as a result of the extinguishment of debentures and interest.

On March 25, 2019, \$60,000 of debentures were converted to 1,500,000 common shares valued at \$45,000 that were issued to various debenture holders.

A gain of \$46,398 was recorded on the statement of income and comprehensive loss as a result of the extinguishment of debentures and interest.

As at June 30, 2019, the Company had \$130,000 (June 30, 2018 - \$200,000) of debentures remaining outstanding with accrued interest of \$91,130 included in accounts payable and accrued liabilities (June 30, 2018 - \$110,620).

## 10. General and administration

	Year ended June 30,	
	2019	2018
Professional fees	\$ 32,060	\$ 17,490
Office and administration	42,344	41,021
	\$ 74,404	\$ 58,511

# Organic Potash Corporation

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(Expressed in Canadian Dollars)

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## 11. Financial risk management

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

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

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

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 is exposed to credit risk on cash and the credit risk is mitigated as the Company maintains its balances with major banks in Canada.

### (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.

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. All accounts payables are due within 30 days, the majority of which are payables to related parties.

### (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.

# Organic Potash Corporation

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(Expressed in Canadian Dollars)

## 11. Financial risk management (continued)

### Risk management framework (continued)

#### (iii) Market risk (continued)

##### (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).

	USD	GHC	Total
Cash	\$ 3,375	\$ 10	\$ 3,385
Accounts payable and accrued liabilities	(168,012)	(550,931)	(718,944)
<b>Total</b>	<b>\$ (164,637)</b>	<b>\$ (550,921)</b>	<b>\$ (715,559)</b>
Effect of +/- 10% change in exchange rate	\$ (16,464)	\$ (55,092)	\$ (71,556)

Based on the foreign currency exposure noted above and assuming all other variables remain constant, a 10% change in exchange rate against the Canadian dollar would result in an increase/decrease of \$71,556 in net income (June 30, 2018 - \$64,010).

##### (b) Interest risk

Cash flow interest rate risk is the risk that future cash flow of financial instruments will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company is not exposed to cash flow interest rate risk on its interest bearing convertible debentures as the interest rate is fixed.

#### (iv) Capital management

The Company includes equity, comprised of share capital, shares to be issued, contributed surplus, accumulated other comprehensive loss, and deficit in the definition of capital, which at June 30, 2019, was a deficit of \$764,403 (June 30, 2018 - \$1,043,822).

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, 2019, the Company had \$130,000 (June 30, 2018 - \$200,000) of debentures, which came due in May 2015. Besides debentures, the Company has not entered into any debt financing except for interest free notes from related parties.

# Organic Potash Corporation

Notes to Consolidated Financial Statements

Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

## 11. Financial risk management (continued)

### Risk management framework (continued)

#### (iv) Capital management (continued)

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 management's approach to managing capital during the year.

## 12. Income taxes

### Provision for income taxes

A reconciliation of income taxes at the statutory rate of 26.50% (2018 - 26.50%) with the reported taxes is as follows:

	2019	2018
Loss before income taxes	\$ (25,631)	\$ 1,528,509
Statutory rate	26.50%	26.50%
Expected income tax recovery at combined basic		
Federal and Provincial tax rate	(6,792)	405,055
Effect on income taxes of:		
Non capital loss in foreign jurisdiction not recognized	-	-
Non-deductible (taxable) and other	(17,568)	(425,862)
Debt settlement	4,174	418,685
Adjustments from prior year	-	16,668
Change in tax assets not recognized	20,186	(414,546)
Income tax expense	\$ -	\$ -

### Deferred Tax Balances

The significant components of the Corporation's future income tax assets are as follows:

	2019	2018
Non-capital losses carry forward	\$ 1,006,859	\$ 985,877
Share issuance cost	172	968
Tax assets not recognized	(1,007,031)	(968,845)
Deferred income tax asset	\$ -	\$ -

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

2031	\$	-
2032		279,753
2033		1,164,383
3034		1,214,591
2035		697,088
2036		169,973
2037		95,228
2038		83,522
2039		94,931
Total	\$	3,799,469

## 13. Commitments

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.

## 14. Related party transactions

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 June 30, 2019, the Company:

- 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 year ended June 30, 2019, The Company incurred IT consulting services of \$6,000 (June 30, 2018 - \$6,000) to this relative of a director.
- In fiscal year 2018, the Company granted 1,675,000 stock options to key management. No stock options were issued in fiscal 2019.
- has \$22,483 balance owing to key management (June 30, 2018 - \$22,483 of key management’s compensation remained in accounts payable and accrued liabilities).

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Years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars)

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## 14. Related party transactions (continued)

- d) 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).
- e) converted \$235,301 of loan payable 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.
- f) 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 \$66,662 (June 30, 2018 - \$312,204), and consists of GHC 238,349, and USD \$7,200. These amounts remain outstanding as at June 30, 2019, and are presented in loans payable and accounts payable and accrued liabilities.

### Ghana Operations

In fiscal 2016, 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 June 30, 2019, 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.