ENCANTO POTASH CORP.

Consolidated Financial Statements
Years ended December 31, 2017 and 2016

(Expressed in Canadian dollars)

Independent Auditors' Report

To the Shareholders of Encanto Potash Corp.:

We have audited the accompanying consolidated financial statements of Encanto Potash Corp., which comprise the consolidated statement of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Encanto Potash Corp. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 2 of these consolidated financial statements, which states that the Encanto Potash Corp. incurred significant losses from operations over the years and has an accumulated deficit of $61,846,301. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Other Matter
The financial statements of Encanto Potash Corp. for the year ended December 31, 2016, were audited by another auditor who expressed an unmodified opinion on those statements on April 26, 2017.

[1]

Montréal, Québec

April 30, 2018

[1] CPA auditor, CA, public accountancy permit No. A126822

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ENCANTO POTASH CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31 2017	December 31 2016
		$	**$**
Assets			
Current			
Cash		**39,203**	1,156,238
Taxes recoverable and accounts receivable		**15,534**	172,500
Prepaid expenses		**12,878**	14,510
		67,615	1,343,248
Non-current			
Deposits		**89,078**	77,906
Equipment		**1,992**	2,846
Deferred financing costs	**8**	**1,124,329**	-
Mineral property interests	**10**	**30,727,037**	28,373,512
		32,010,051	29,797,512
Liabilities			
Current			
Accounts payable and accrued liabilities	**15**	**13,751,706**	10,038,261
Flow-through premium liability	**11**	**-**	196,691
Part XII.6 tax and indemnification of shareholders	**13e**	**-**	80,346
Convertible debenture – liability component	**12**	**7,700,000**	7,196,556
		21,451,706	17,511,854
Non-current			
Promissory note	**8**	**1,124,329**	-
		22,576,035	17,511,854
Shareholders' Equity			
Share capital	**13**	**62,382,648**	62,382,648
Contributed surplus	**13f**	**7,892,669**	5,741,716
Convertible debenture – equity component	**12**	**1,005,000**	1,005,000
Deficit		**(61,846,301)**	(56,843,706)
		9,434,016	12,285,658
		32,010,051	29,797,512

Nature of operations – Note 1
Going concern – Note 2
Commitments – Notes 7, 8, 12, 13e and 20
Subsequent events – Note 21

APPROVED BY THE DIRECTORS

"Stavros Daskos" Director *"Raman Govind Rajan"* Director

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

ENCANTO POTASH CORP.
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31
(Expressed in Canadian dollars)

	Note	2017	2016
		$	**$**
Corporate development consultants	**9,15**	**1,639,578**	10,841,879
Depreciation		**854**	3,470
First Nation consulting		**-**	57,364
First Nation development and designation		**-**	150,000
Investor communications		**93,610**	110,760
Legal and audit		**211,245**	174,011
Management compensation	**15**	**507,698**	467,308
Office		**32,527**	120,703
Regulatory compliance		**57,736**	71,806
Share-based payments	**13c,d**	**2,150,953**	62,644
Travel and accommodation		**57,922**	225,147
Loss before items listed below		**(4,752,123)**	(12,285,092)
Finance expense	**14**	**(1,133,143)**	(1,060,577)
Foreign exchange		**485,101**	-
Interest expense		**(1,348)**	-
Loss on settlement of liability	**9**	**-**	(80,000)
Part XII.6 tax and indemnification of shareholders	**13e**	**61,926**	(92,565)
Sales tax recovery		**140,301**	-
Write-off of equipment		**-**	(16,275)
Impairment of mineral property interests	**10**	**-**	(239,206)
Loss before income taxes		**(5,199,286)**	(13,773,715)
Deferred income tax recovery	**16**	**196,691**	41,000
Total comprehensive loss		**(5,002,595)**	(13,732,715)
Loss per share			
- Basic and diluted		**(0.01)**	(0.03)
Weighted average number of shares outstanding			
- Basic and diluted		**440,817,039**	401,749,303

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

ENCANTO POTASH CORP.

Consolidated Statements of Cash Flows
Years ended December 31
(Expressed in Canadian dollars)

	2017	2016
	$	$
Cash flows (used in) provided by		
Operating activities		
Net loss	**(5,002,595)**	(13,732,715)
Items not affecting cash		
Depreciation	**854**	3,470
Deferred income tax recovery	**(196,691)**	(41,000)
Finance expense	**503,444**	519,327
Impairment of mineral property interests	**-**	239,206
Corporate development	**-**	1,640,000
Write-off of equipment	**-**	16,275
Loss on settlement of liability	**-**	80,000
Share-based payments	**2,150,953**	62,644
	(2,544,035)	(11,212,793)
Net change in non-cash working capital items		
Taxes recoverable and accounts receivable	**156,966**	(6,130)
Prepaid expenses	**1,632**	9,500
Accounts payable and accrued liabilities	**1,363,445**	7,838,050
Part XII.6 tax and indemnification of shareholders	**(80,346)**	(70,000)
	(1,102,338)	(3,441,373)
Investing activities		
Deposits	**(11,172)**	1,654
Deferred mineral property interest expenditures	**(3,525)**	(5,148)
	(14,697)	(3,494)
Financing activities		
Proceeds on shares issued	**-**	4,858,725
Promissory note	**-**	
Share issuance costs	**-**	(350,399)
	-	4,508,326
Increase (decrease) in cash	**(1,117,035)**	1,063,459
Cash, beginning of year	**1,156,238**	92,779
Cash, end of year	**39,203**	1,156,238

Supplemental cash flow information – Note 19

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

ENCANTO POTASH CORP.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Common shares	Share Capital	Contributed surplus	Convertible debenture	Deficit	Total
	number	$	$	$	$	$
Balance, December 31, 2015	**369,452,574**	**56,056,359**	**5,810,936**	**695,636**	**(43,110,991)**	**19,451,940**
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placements	48,558,235	4,858,725	-	-	-	4,858,725
Indemnification of shareholders	2,806,230	294,654	-	-	-	294,654
Performance shares (Note 9)	20,000,000	1,720,000	-	-	-	1,720,000
Share issuance costs	-	(350,399)	-	-	-	(350,399)
Flow-through premium liability	-	(196,691)	-	-	-	(196,691)
Put option expiry	-	-	(827,500)	-	-	(827,500)
Maturity of convertible debenture	-	-	695,636	(695,636)	-	-
Issuance of convertible debenture	-	-	-	1,005,000	-	1,005,000
Share-based payment	-	-	62,644	-	-	62,644
Comprehensive loss	-	-	-	-	(13,732,715)	(13,732,715)
Balance, December 31, 2016	**440,817,039**	**62,382,648**	**5,741,716**	**1,005,000**	**(56,843,706)**	**12,285,658**
Shares issued in consideration for:						
Maturity of convertible debenture	-	-	-	-	-	-
Share-based payments	-	-	2,150,953	-	-	2,150,953
Flow-through premium liability	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	(5,002,595)	(5,002,595)
Balance, December 31, 2017	**440,817,039**	**62,382,648**	**7,892,669**	**1,005,000**	**(61,846,301)**	**9,434,016**

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

1. Nature of operations

Encanto Potash Corp. ("the Company" or "Encanto") was incorporated under the laws of British Columbia, Canada, in 1986. The Company's corporate head office is located at 3123-595 Burrard Street, Vancouver, BC.

Encanto is an exploration and development company focused on potash properties in the Province of Saskatchewan. The Company is primarily focused on the development of potash mineral deposits located on the Muskowekwan First Nation reserve lands located approximately 100 km north of Regina, Saskatchewan. The Company is a reporting issuer in the provinces of Alberta, British Columbia, Saskatchewan and Ontario and trades on the TSX Venture Exchange ("TSXV") under the trading symbol "EPO".

2. Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

At December 31, 2017, the Company had a working capital deficit of $21,384,091, has not yet achieved profitable operations, has commitments due in the coming fiscal year and had an accumulated deficit of $61,846,301 since inception and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to develop its mineral property interests and to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. As part of its ongoing strategic plan the Company is exploring alternate financing opportunities including equity financings, debt financings and strategic partner arrangements. On September 13, 2017, the Company signed an agreement with GEM Investments America LLC and GEM Global Yield LLC to undertake to invest up to $100,000,000 over the next three years (Note 8). In the first quarter of 2018, the Company assessed its liquidity position and has drawn $250,000 in accordance with the above agreement (Note 21). Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

3. Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

These financial statements were approved by the board of directors on April 30, 2018.

4. Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the results of the Company and its wholly-owned subsidiaries Encanto Resources Ltd ("ERL") and Encanto Trading Corp. The results of the subsidiaries will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

Intercompany balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

b) Equipment and amortization

The Company's equipment is carried at cost less accumulated depreciation and any recognized impairment loss. Cost includes expenditures directly attributable with bringing the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Once the assets are put into their intended use by management, their cost is amortized over the estimated useful economic life on the declining balance method at a rate of 30% per year.

c) Mineral properties

All the Company's mining projects are currently in exploration and evaluation phase or in preparation for their development. The Company defers all expenditures related to its mineral properties once the legal rights to a property have been acquired. Exploration costs incurred prior to acquiring the legal rights to a property are charged to operations as general exploration expense. Exploration costs that are not attributable to a specific property are charged to operations as general exploration expense.

Mineral property option proceeds, if received, are credited against the deferred costs incurred by the Company on the property or properties being optioned. Under this method, the amounts shown as mineral property represent net costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment loss.

The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

4. Summary of significant accounting policies ***(Continued form previous page)***

Management performs impairment tests on exploration and evaluation assets before the assets are transferred to development properties.

If the properties are put into commercial production, the expenditures will be depleted using the unit of production basis. If the properties are impaired, sold or abandoned, the expenditures will be charged to operations in the related period.

d) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the income or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Decommissioning and restoration provisions

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the legal or constructive obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of facts such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value. These costs are charged against income or loss over the economic life of the related asset, through amortization using the unit of production method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in income or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in income or loss.

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

As at December 31, 2017 and December 31, 2016, the Company had no significant decommissioning or restoration provisions.

4. Summary of significant accounting policies *(Continued form previous page)*

f) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income or loss except for losses in value that are considered a significant or prolonged decline in the fair value of that investment below its cost, which are recognized in income or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in income or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

g) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss.

h) De-recognition of financial assets and liabilities

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in income or loss.

4. Summary of significant accounting policies *(Continued form previous page)*

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the fair value of the consideration paid and payable is recognized in income or loss.

The Company recognizes a contract that will be settled by (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset as an equity instrument. This requirement is often referred to as the "fixed for fixed" criterion. If the fixed for fixed criterion is not met, an instrument would be considered a financial liability. The Company reassesses such instruments on whether the fixed for fixed criterion is met at each reporting period end and reclassifies such financial liability instruments to an equity instrument if the fixed for fixed criterion has been met.

i) Income taxes

Income tax on the income or loss for the periods presented comprises current and deferred tax. Income tax is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or in other comprehensive loss/income.

Current tax expense is the estimated tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the reporting date, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date applicable to the period of expected realization or settlement.

A deferred tax asset for unused tax losses, tax credits and deductible temporary difference is recognized only to the extent that it is probable that future taxable incomes will be available against which the deferred tax asset can be utilized.

The Company recognizes a deferred tax liability with corresponding deferred tax charges to operations with regards to the taxable temporary difference that arises from the difference between the carrying amounts of eligible expenditures capitalized as assets and its tax base.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax asset and liabilities on a net basis.

j) Share capital

The Company's common shares, share warrants and options, and flow-through shares are classified as equity instruments. Incremental costs directly related to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. For equity offerings of units consisting of a common share and warrants, when both instruments are classified as equity, the Company does not bifurcate the proceeds between the common share and the other equity instrument

4. Summary of significant accounting policies *(Continued form previous page)*

k) Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through premium liability"). At renouncement by the Company of eligible resource exploration and evaluation expenditures to flow-through share subscribers, a deferred tax liability is recognized at each period end for the portion of such expenditures incurred to date, and the flow-through premium liability is reversed proportionately. The reduction to the flow-through premium liability is recognized through income or loss as a reduction of deferred income tax expense. The Company recognizes a deferred tax liability with a corresponding deferred tax charge to operations with regard to the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax base.

l) Share-based payments

The Company has established a stock option plan for the benefit of full-time and part-time employees, officers, directors and consultants of the Company and its affiliates.

Where equity-settled share options are awarded to employees, the fair value of the options is estimated at the date of grant and is charged to the consolidated statement of loss and comprehensive loss over the vesting period based on the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss and comprehensive loss. When the value of goods or services received in exchange for the equity instruments cannot be reliably estimated, the fair value is estimated based on the equity instruments issued. Equity instruments granted as costs related to the issuance of shares are recorded as a reduction of share capital.

Where the terms and conditions of equity instruments are modified before they vest, the increase in the fair value of the equity instruments, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized over the remainder of the vesting period.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

m) Basic and diluted loss per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. During each of the years ended December 31, 2017 and 2016 basic and diluted loss per share are the same. The effect of potential issuances of 169,417,500 (2016 – 156,177,500) shares in respect of stock options, common share purchase warrants and convertible debt were not included in the computation of diluted loss per share as the effect would have been antidilutive.

5. Accounting standards

Accounting standards issued but not yet effective

The standards and interpretations that are issued up to the date of issuance of the Company's financial statements and applicable to the Company, but were not effective during the year ended December 31, 2017, are disclosed below. The Company intends to adopt these standards when they become effective.

a) **IFRS 9 Financial Instruments**
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has initially assessed that there will be no material reporting changes as a result of adopting this new standard, however, there may be enhanced disclosure requirements.

b) **IFRS 15 Revenue from Contracts with Customers**
This standard will replace IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. It provides a more detailed framework for the timing of revenue recognition and increased requirements for disclosure of revenue. It uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. The mandatory effective date is for annual periods beginning on or after January 1, 2018. The Company has initially assessed that there will be no material reporting changes as a result of adopting this new standard.

c) **IFRS 16 Leases**
This standard replaces IAS 17-Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date is for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

6. Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires estimates and assumptions that affect the amounts reported in these consolidated financial statements. Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

a) **Going concern**
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 2.

6. Critical accounting estimates and judgments *(Continued form previous page)*

b) Impairment of mineral property interests
Management assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When management determines that there are existing facts and circumstances that suggest the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment.

c) Mineral property title
Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and regulatory requirements. To the best of the Company's knowledge, title to all of its properties is in good standing.

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

a) Share based payments
The Company uses the fair-value method of accounting for share-based payments (related to incentive stock options and compensation warrants granted, modified or settled). Under this method compensation costs attributable to options and awards granted are measured at fair value at the issue or grant date and are expensed over the vesting period. In determining the fair value for share-based payments, the Company uses option pricing models and makes estimates of the expected volatility of the stock, the expected life and risk-free interest rate. The expected volatility is based on historical volatility of the Company's stock over a period commensurate with the expected life of the stock option. Changes to these estimates could result in the fair value of share-based payments expense being less than or greater than the amount recorded.

b) Deferred income taxes
The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

6. Critical accounting estimates and judgments *(Continued form previous page)*

c) Convertible debt

Convertible debentures are separated into their liability and equity components on the consolidated statement of financial position. The liability component is initially recognized at fair value, calculated as the net present value of the liability, using estimated interest rates based upon non-convertible debt issued by comparable issuers, and accounted for at amortized cost using the effective interest rate method. (Note 12)

d) Impairment of mineral property interests

The determination of the recoverable amount for value in use requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential, recent transactions involving similar projects, and future operating performance. A mineral project's fair value less cost to sell requires the use of estimates as to the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

7. Off-take agreement

On December 30, 2016, the Company entered into an Off-Take Agreement with the National Federation of Farmers' Procurement Processing & Retailing Co-operatives of India Ltd. ("NACOF"). The Off-Take Agreement provides for the supply of a minimum of 5,000,000 tonnes per year for a guaranteed period of twenty years for muriate of potash.

Furthermore, upon signing the Off-Take Agreement, the Company was also required to pay a success fee under a consulting agreement with a related party of US$5,500,000 (CDN$6,899,750; 2016 - CDN$7,384,850) in cash and 15,000,000 common shares (measured at fair value on the date of agreement at $1,050,000) of the Company, subject to regulatory approval. The Company had accrued these costs to corporate development consultants on the statement of loss and comprehensive loss as at December 31, 2016. As at December 31, 2017 the Company has not received regulatory approval or paid CDN$6,649,750 of the cash payment, which represents the success fee less a $250,000 payment made during 2016. During the year, the Company has recorded a gain on foreign exchange of $485,101.

8. Deferred financing costs

On September 13, 2017, the Company signed a funding agreement with GEM Investments America LLC and GEM Global Yield LLC SCS to undertake to invest up to $100,000,000 over the next three years. As a result, the Company is required to pay a minimum financing fee of $1,400,000 and it is recognized as a corresponding promissory note and deferred financing fees discounted to present value at an amount of $1,124,329.

9. Performance shares

On May 30, 2016 the Company entered into a finder's agreement whereby the Company issued 20,000,000 performance shares. A total of 8,000,000 shares were unrestricted and were recorded to corporate development consultants' expense on the statement of loss and comprehensive loss valued on the date of the agreement at $800,000. The 8,000,000 were issued on June 9, 2016 and a loss on settlement of $80,000 was recorded to the statement of loss and comprehensive loss. The remaining 12,000,000 shares were issued but were held under an escrow agreement until the Company achieved certain performance milestones. These shares were released from escrow in 2017 subsequent to the signing a definitive Off-Take Agreement (Note 7). Upon signing of the agreement, the 12,000,000 escrow share were recorded to corporate development consultants' expense on the statement of loss and comprehensive loss valued at $840,000. The Company incurred $14,666 of cash share issuance costs in relation to the issuance of the performance shares.

10. Mineral property interests

	MFN Project	Chacachas Ochapowace First Nation Prospects	Total
	$	$	$
Balance, December 31, 2015	**28,087,635**	**879,750**	**28,967,385**
Deferred exploration expenditures			
Consulting	-	-	-
Drilling	425,000	-	425,000
Other	(3,306)	785	(2,521)
	421,694	785	422,479
Expiry of put option	-	(827,500)	(827,500)
Impairment of mineral property interests	-	(53,035)	(53,035)
Write off	(135,817)	-	(135,817)
Balance, December 31, 2016	**28,373,512**	**-**	**28,373,512**
Deferred exploration expenditures			
Feasibility	2,351,120	-	2,351,120
Other	2,405	-	2,405
	2,353,525	-	3,525
Balance, December 31, 2017	**30,727,037**	**-**	**30,727,037**

10. Mineral property interests (Continued form previous page)

a) Muskowekwan First Nation project

On October 22, 2010, through its wholly-owned subsidiary, Encanto Resources Ltd. (“ERL”), the Company and Muskowekwan First Nation (“MFN”) and their corporate nominee, Muskowekwan Resources Ltd. (“MRL”), signed an agreement (the “JVA”) for the purpose of developing potash mineral deposits on MFN reserve lands (the “MFN Project”) in Saskatchewan. The parties have further agreed to jointly appoint a management committee to supervise the business affairs being conducted pursuant to the JVA.

On October 22, 2010, the Company also signed development fee, operating and royalty agreements with MFN and MRL. Pursuant to the development fee agreement, MFN will be paid a fee totalling $1,000,000 based on certain milestones being achieved. In prior years, $885,000 was paid and during the year, the remaining amount of $115,000 was capitalized and recorded as deferred mineral interest expenditure as the MFN Project was granted a mining lease by the Federal Government. Under the operating agreement, the Company is the appointed operator with responsibility to carry out the exploration and development program planned for the property interests on the MFN Project.

b) Chacachas and Ochapowace First Nation prospects

The Company is a party to a Memorandum of Understanding with Chacachas First Nation (“the Chacachas MOU”) and an Exploration Participation Agreement with Ochapowace First Nation (“the Ochapowace EPA”) (collectively “the Ochap-Chac Bands”). The Company has obtained two permits from the Crown to explore and develop potash minerals on the Ochap-Chac Bands’ reserve lands which are all located in Saskatchewan.

The Ochapowace EPA and Chacachas MOU provide that in the event preliminary exploration work leads to a “second phase work program” on any respective Ochap-Chac Band lands which require leases from the Crown, or the completion of a definitive agreement, as the case may be, the Company is required to issue an additional 100,000 common shares of the Company along with two-year warrants for an additional 100,000 common shares to the respective Ochap-Chac Band, at an exercise price as set out respectively in the Ochapowace EPA and Chacachas MOU.

During the year ended December 31, 2016 an impairment write down of $53,035 was taken in relation to the Ochapowace First Nation prospect as the Company has no plans for the property in the near future. The Company wrote off $50,354 in deposits associated with the Ochapowace First Nation prospect.

11. Flow-through premium liability

The flow-through premium liability balance arose in connection with the flow-through share offerings the Company completed. The reported amount is the unamortized balance of the premium recorded from issuing the flow-through shares. This balance does not represent a cash liability to the Company but rather this balance will be amortized to the statement of loss and comprehensive loss pro-rata with the amount of qualifying flow-through expenditures that are incurred by the Company after the tax benefit is renounced to the shareholders.

	$
Balance, December 31, 2015	41,000
Flow-through financing	196,691
Exploration costs incurred	(41,000)
Balance, December 31, 2016	196,691
Flow-through financing	-
Exploration costs incurred	(196,691)
Balance, December 31, 2017	**-**

12. Convertible debenture

On March 1, 2016 the Company issued the 2016 debenture for the principal sum of $7,700,000. The 2016 debenture bears interest at 7.5% and was repayable on September 1, 2017 or could have been converted into shares at the holder’s option at a rate of $0.10 per convertible debenture share. The Company and the 2016 debenture holders are negotiating a restructuring/conversion of the 2016 debenture. As such, the debt component is reclassified as short-term debt until the negotiations are settled. The Company has continued to accrue interest on the 2016 debenture until such time as the terms of the restructuring are finalized.

For accounting purposes, the 2016 debenture has been separated into the liability and equity components using the effective interest rate method. The fair value of the liability component of the 2016 debenture at the time of issue was calculated as being equivalent to the discounted cash flows for the debentures assuming an effective interest rate of 20%. The effective interest rate was based on the estimated rate for a debenture without a conversion feature. The fair value of the equity component (conversion feature) was determined at the time of issue as the difference between the face value of the convertible debenture and the fair value of the liability component. The debt component is being accreted up to the face value to the statement of loss and comprehensive loss over the life of the 2016 debenture.

12. Convertible debenture *(Continued from previous page)*

	Liability Component	Equity Component
	$	$
Balance – December 31, 2015	6,982,229	695,636
Amortization of issuance costs	4,251	-
Accretion of discount	13,520	-
Maturity of 2013 Debenture	(7,000,000)	(695,636)
Issuance of 2016 Debenture	6,695,000	1,005,000
Accretion of discount	501,556	-
Balance – December 31, 2016	7,196,556	1,005,000
Accretion of discount	503,444	-
Maturity of 2016 Debenture	-	-
Issuance of 2017 Debenture	-	-
Accretion of discount	-	-
Balance, December 31, 2017	**7,700,000**	**1,005,000**

13. Share capital

a) Authorized:
Unlimited common shares without par value
100,000,000 Class A non-voting preference shares, par value $10 each
100,000,000 Class B non-voting preference shares, par value $50 each

b) Financings
On October 31, 2016 the Company closed a private placement of 20,588,235 flow-through common shares at a price of $0.085 per common share for gross proceeds of $1,750,000. The Company incurred share issuance costs of $141,364 with respect of this placement.

On June 3, 2016 and July 13, 2016 the Company closed the first and second tranche of a private placement in the amount of 24,845,000 non-flow-through units at a price of $0.105 per unit for gross proceeds of $2,608,725. Each unit consists of one common share and one warrant, each warrant entitling the holder to purchase one common share at a price of $0.16 per share on or before December 3, 2018 and January 13, 2019 respectively. The Company incurred share issuance costs of $184,364 with respect of this placement. Related parties subscribed for a total of 9,599,500 non-flow-through units.

On May 24, 2016 the Company closed a flow-through private placement of 3,125,000 common shares at a price of $0.16 per common share for gross proceeds of $500,000. The Company incurred share issuance costs of $10,005 with respect of this placement.

13. Share capital *(Continued from previous page)*

c) Stock options

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days, or 30 days for a person engaged in investor relations activities, or within reasonable discretion of the board, of termination of employment or holding office as director or officer of the Company.

The balance of options outstanding and related information for the years ended December 31, 2017 and 2016 is as follows:

	Number of options	**Weighted average exercise price (per share)**	**Weighted average remaining life (years)**
Balance, December 31, 2015	31,945,000	$0.20	5.92
Granted	-	-	
Expired	(1,625,000)	$0.24	
Balance, December 31, 2016	30,320,000	$0.19	4.33
Granted	21,550,000	$0.11	
Expired	(4,575,000)	$0.20	
Cancelled	(3,735,000)	$0.19	
Balance, December 31, 2017	**43,560,000**	**$0.15**	**5.80**

All outstanding shares at December 31, 2017 have been vested and are exercisable.

During the year ended December 31, 2017, the Company recorded share-based payments expense of $2,150,953. The weighted average fair value of the options granted during the period was $0.11. During the year, all options granted vested immediately upon grant. The fair value of the options granted during the period was determined using an option pricing model using the following weighted average assumptions: for 13,750,000 granted shares: risk free rate 1.5%; expected life 10 years; forfeiture rate nil; volatility 122%, share price at date of grant of $0.14 and a dividend rate of nil; and for 7,800,000 granted shares: risk free rate 1.61%; expected life 5 years; forfeiture rate nil; volatility 115%, share price at date of grant of $0.04 and a dividend rate of nil.

During the year ended December 31, 2016, the Company extended the expiry date of 4,500,000 options and recorded share-based compensation of $62,644. The fair value of extension was determined using an option pricing model using the following weighted average assumptions: risk free rate 1%; expected life 0.25 -1 years; forfeiture rate nil; volatility 101% and a dividend rate of nil. There were no options granted during the year ended December 31, 2016.

13. Share capital *(Continued from previous page)*

The balance of options outstanding as at December 31, 2017 was as follows:

Exercise price	Weighted average remaining life (years)	Options outstanding and exercisable
$0.05	4.86	7,800,000
$0.14	9.05	13,750,000
$0.15	3.04	3,580,000
$0.17	3.96	11,255,000
$0.20	5.94	2,700,000
$0.25	5.03	425,000
$0.26	3.67	1,950,000
$0.30	4.49	2,100,000
		43,560,000

d) Share purchase warrants

The balance of warrants outstanding and related information for the year ended December 31, 2017 and 2016 is as follows:

	Number of warrants	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance, December 31, 2015	30,482,500	$0.21	0.55
Issued	24,845,000	$0.16	
Expired	(6,470,000)	$0.35	
Balance, December 31, 2016	48,857,500	$0.18	1.57
Issued	-	-	
Expired	-	-	
Balance, December 31, 2017	**48,857,500**	**$0.18**	**0.80**

The balance of warrants outstanding as at December 31, 2017 was as follows:

Exercise price	Weighted average remaining life (years)	Warrants Outstanding
$0.16	0.92	24,845,000
$0.17	0.34	18,427,500
$0.30	1.78	5,585,000
		48,857,500

13. Share capital *(Continued from previous page)*

During the year ended December 31, 2017, a total of 5,535,000 warrants with an exercise price of $0.30 expiring October 9, 2017 were extended to an expiry date of October 9, 2019 and a total of 50,000 warrants with an exercise price of $0.30 expiring October 23, 2017 were extended to an expiry date of October 23, 2019. This extension resulted in an additional expense of $76,068 at December 31, 2017. The fair value of the warrants extended during the period was determined using a warrant pricing model using the following weighted average assumptions: for 5,535,000 extended warrants: risk free rate 1.54%; expected life 2 years; forfeiture rate nil; volatility 124% and a share price at date of extension of $0.05; and for 50,000 extended warrants: risk free rate 1.54%; expected life 2 years; forfeiture rate nil; volatility 126% and share price at date of extension of $0.05.

e) Flow-through shares

The Company was committed to incur qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of $2,250,000 with respect to the flow-through share financings completed during the fiscal year ended December 31, 2016. The expenditures were incurred before December 31, 2017. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

During the year ended December 31, 2017, the Company renounced $2,250,000 of flow-through share proceeds to the respective flow-through share subscribers with an effective date of renunciation of December 31, 2016.

During the year ended December 31, 2016, the Company renounced $410,000 of flow-through share proceeds to the respective flow-through share subscribers with an effective date of renunciation of December 31, 2015.

The Company raised capital through the issuance of flow-through shares during the year ended December 31, 2014, and provided an indemnity to the shareholders for additional taxes payable if the Company was unable to, or failed to renounce the qualifying expenditures as agreed, without limiting the recourse of the subscriber. The Company was not able to spend $695,227 of the flow-through funds raised on qualifying expenditures. The Company estimated the potential shareholder indemnification liability in the amount of $375,000 and the Part XII.6 liability as $70,000 at December 31, 2015 and recorded a charge to the statement of loss and comprehensive loss in the amount of $445,000.

During the year ended December 31, 2016 the Company issued 2,806,230 common shares in accordance with settlement agreements totalling $294,654 of the indemnification liability and paid the Part XII.6 tax in full.

The accrued amounts are subject to measurement uncertainty due to the tax filing positions of the subscribers, their tax rates and the amount of personal taxes that may be payable and the interpretation of the indemnity agreements, which will not be known until potentially affected subscribers are reassessed for their tax positions by the Canada Revenue Agency and these amounts become known to the Company.

f) Contributed surplus

During the year ended December 31, 2017, the Company recorded share-based payments expense of $2,150,953. The assumptions for this expense are described in Note 13(c).

14. Finance expenses

During the year ended December 31, 2017 and 2016 the Company incurred the following finance expenses related to the convertible debentures and funding agreement described below the table.

	2017	2016
	$	$
Amortization of issuance costs	-	4,251
Accretion of discounts	**503,444**	515,076
Interest expense	**629,699**	541,250
	1,133,143	1,060,577

15. Related party transactions

Compensation paid or payable to the directors, the Chief Executive Officer and the Chief Financial Officer for services provided or earned during the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
	$	$
Corporate development consultants	**600,000**	9,034,850
Management compensation	**120,000**	267,548
Share-based payments	**1,296,955**	-
	2,016,955	9,302,398

The Company incurred additional expenditures charged by related parties during the years ended December 31, 2017 and 2016 as follows:

	2017	2016
	$	$
Management compensation	**147,698**	169,700
Share-based payments	**445,377**	-
Share issuance costs	**-**	55,042
	593,075	224,742

Included in accounts payable and accrued liabilities as at December 31, 2017 was $11,793,754 (2016 - $9,114,854) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. This amount is composed primarily of balances owing related to the success fee (Note 7), consulting fees, management compensation, accrued interest on the convertible debentures (Note 12), and mineral property interests (Note 10). Included in mineral property interest additions for the year ended December 31, 2017 was $2,350,000 (2016 - $425,000) due to a company that is controlled by one of the directors, which represents the amount of consideration established and agreed to by the related parties and approved by the Board of Directors. As at December 31, 2017, an individual who is a director of the Company held $5,432,808 of the 2016 debenture and earned interest of $444,294 (2016 - $384,486) during the year.

16. Income taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2017	2016
Statutory tax rate	**26.00%**	**26.00%**
	$	**$**
Loss for the year before taxes	**5,199,286**	13,773,715
Expected income tax recovery at statutory rate	**(1,352,000)**	(3,582,000)
Add (deduct) reconciling items:		
Share issue costs	**-**	(87,000)
Items not deductible for tax purposes	**479,000**	121,000
Adjustment to prior year	**(210,000)**	(29,000)
Impact of change in enacted tax rates	**(439,000)**	-
Flow-through shares	**608,000**	107,000
Flow-through premium liability	**(196,691)**	(41,000)
Income tax benefit not recognized	**914,000**	3,470,000
Income tax recovery as booked	**(196,691)**	(41,000)

The income tax recovery above represents deferred tax only.

The significant components of the Company's net deferred tax assets and liabilities as at December 31 are as follows:

	2017	2016
	$	$
Deferred tax assets:		
Equipment	43,000	7,000
Share issue costs	113,000	205,000
Capital loss carry forward	305,000	283,000
Non-capital losses carried forward	14,465,000	12,853,000
Marketable securities and other	-	37,000
	14,926,000	13,385,000
Offset against deferred tax liabilities	(3,493,000)	(2,869,000)
Unrecognized deferred tax assets	(11,433,000)	(10,516,000)
Deferred tax assets	-	-
Deferred tax liabilities:		
Mineral properties	(3,493,000)	(2,738,000)
Convertible debentures	-	(131,000)
Offset against deferred tax assets	3,493,000	2,869,000
Deferred tax liabilities	-	-
Net deferred tax balance	-	-

16. Income taxes *(Continued from previous page)*

As at December 31, 2017, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. Their expiry dates are as follows:

	$
2028	910,000
2029	2,360,000
2030	1,590,000
2031	2,700,000
2032	7,950,000
2033	12,780,000
2034	4,930,000
2035	3,410,000
2036	13,240,000
2037	3,510,000
	53,380,000

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit in the same entity will allow the deferred tax asset to be recovered.

In addition to the tax losses listed above, the Company has unused capital losses of $2,175,000 (2016 – $2,175,000) and certain resource related and other expenditures of approximately $18,029,000 (2016 – $17,844,000) which can be used to offset future Canadian taxable income.

17. Financial instruments

Classification of financial instruments
The Company's financial instruments consist of cash, deposits, accounts payable and accrued liabilities, promissory note and convertible debenture. The Company designated its cash and deposits as loans and receivables. The accounts payable and accrued liabilities and promissory note are designated as other financial liabilities, which are measured at amortized cost. The fair value of cash, deposits, accounts payable and accrued liabilities, promissory note and convertible debenture approximates their carrying amount due to their short term to maturity. The convertible debenture is designated as other financial liabilities, which is measured at amortized cost, using the effective interest rate.

Discussions of risks associated with financial assets and liabilities are summarized below:

Foreign currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Company's transactions are carried out in Canadian dollars, except for certain payables which are denominated in U.S. dollars. The Company does not enter into arrangements to hedge its foreign exchange risk. As at December 31, 2017, foreign currency denominated financial assets and liabilities in U.S. dollars and which expose the Company to the currency risk are as follows:

	2017	2016
	$	$
Accounts payable and accrued liabilities	**5,891,721**	5,313,808

17. Financial instruments *(Continued from previous page)*

Credit risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a chartered Canadian bank.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. As at December 31, 2017, the Company had a working capital deficiency of $21,384,091 which is not sufficient to cover funding requirements for operations as currently planned for at least the next twelve months and has commitments due in the coming year. The Company is currently in negotiations to restructure or convert certain convertible debentures. In addition, the Company has signed an agreement with GEM Investments America LLC and GEM Global Yield LLC SCS to take on investment up to $100,000,000.

18. Management of capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern in order to facilitate the development of its mineral properties and to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met; and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of convertible debt and equity attributable to common shareholders, comprised of issued capital, warrants, contributed surplus and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issuing new debt, or acquiring or disposing of assets, and controlling the capital expenditures program. The Company is not subject to externally imposed capital requirements.

The Company's mineral property interests are in the exploration and planning for development stage. As such, the Company is dependent on external financing to develop its properties and fund its activities. In order to carry out its planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available.

Management reviews its capital management policies on an ongoing basis. During the year ended December 31, 2017, there has been no change in the Company's management of capital policies.

19. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flow. During the years ended December 31, 2017 and 2016 the following investing and financing transactions were excluded from the consolidated statements of cash flows:

	2017	2016
	$	$
Non-cash investing and financing transactions		
Settlement of Indemnification of shareholders	-	294,654
Flow-through premium liability	-	196,691
Put option expiry	-	(827,500)
Mineral property interest expenditures in accounts payable as at December 31, 2017 and 2016	(2,350,000)	(483,165)

20. Commitments

In addition to any commitments pursuant to deferred financing costs (Note 8), qualifying Canadian exploration expenses (Note 13e) and the convertible debenture (Note 12), as at December 31, 2017, the Company is committed to payments, for the next 12 months of $600,000.

21. Subsequent events

a) On February 5, 2018, the Company granted 1,000,000 stock options at an exercise price of $0.05 per share with an expected life of 5 years and cancelled 500,000 stock options with exercise price of $0.14. All options granted vested immediately upon grant. On March 31, 2018, 4,165,000 stock options with a weighted average exercise price of $0.17 expired. On April 28, 2018, 200,000 stock options with a weighted average exercise price of $0.17 expired.

b) In the first quarter of 2018, the Company drew $250,000 of financing in accordance with its funding agreement with GEM Investments America LLC and GEM Global Yield LLC.