

AMERICAN POTASH CORP.

An Exploration Stage Enterprise

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2017 AND 2016

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of American Potash Corp.:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 America Potash Corp. as at July 31, 2017 and 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 1 to the consolidated financial statements, which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about American Potash Corp.'s ability to continue as a going concern.

A handwritten signature in black ink, appearing to read 'DMCL'.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2017

AMERICAN POTASH CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	July 31, 2017	July 31, 2016
ASSETS			
Current		\$	\$
Cash		53,697	29,430
Prepaid expenses		1,500	6,654
Income tax receivable		-	24,267
GST receivable		8,188	10,132
Marketable securities	3	280,000	-
Total current assets		343,385	70,483
Non-current assets			
Exploration and evaluation assets	3	585,896	232,824
Total non-current assets		585,896	232,824
Total assets		929,281	303,307
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4	42,386	86,176
Due to related parties	6	12,833	24,866
Total liabilities		55,219	111,042
EQUITY			
Equity attributable to shareholders			
Share capital	5	6,961,371	6,357,586
Subscriptions received	5	71,500	-
Reserves	5	2,097,182	1,886,888
Accumulated deficit		(8,255,991)	(8,052,209)
Total equity		874,062	192,265
Total liabilities and equity		929,281	303,307

Going concern – Note 1

Commitments – Note 8

Subsequent events – Note 13

On behalf of the board:

*“Rudy de Jonge”*_____
Rudy de Jonge*“Lawrence Dick”*_____
Lawrence Dick

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

AMERICAN POTASH CORP.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

		Year ended July 31, 2017	Year ended July 31, 2016
General and administrative expenses		\$	\$
Consulting fees	6	121,704	82,836
Foreign exchange		5,309	(3,186)
Insurance		-	3,797
Interest expense and bank charges		1,293	2,479
Investor relations, website and promotion		752	1,154
Office and administration		8,705	3,049
Office rent (recovery)		445	(1,000)
Professional fees	6	49,115	65,759
Share-based payments	5	187,711	-
Transfer agent and filing fees		27,894	32,707
Travel and entertainment		8,803	6,414
		(411,731)	(194,007)
Current tax recovery		62,659	-
Gain on disposition of mineral property	3	145,290	-
Gain on debt settlement	6	-	37,500
Net loss		(203,782)	(156,508)
Other comprehensive loss			
Foreign currency translation		(39,928)	(3,433)
Total comprehensive loss		(243,710)	(159,941)
Loss per share, basic and diluted		(0.01)	(0.01)
Weighted average number of common shares outstanding - basic and diluted		25,722,826	15,896,710

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

AMERICAN POTASH CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended July 31, 2017	Year ended July 31, 2016
Cash provided by (used in):	\$	\$
Operating activities:		
Net loss for the year	(203,782)	(156,508)
Items not involving cash:		
Share-based payments	187,711	-
Gain on disposition of mineral properties	(145,290)	-
Gain on debt settlement	-	(37,500)
Changes in non-cash working capital:		
Accounts receivable	26,211	(6,821)
Prepaid expenses	5,153	1,811
Accounts payable and accrued liabilities	(43,790)	56,103
Due to related parties	(12,033)	(176,797)
	(185,820)	(319,712)
Investing activities:		
Exploration and evaluation assets and intangible assets	(527,710)	(232,823)
	(527,710)	(232,823)
Financing activities:		
Loan advances	-	(100,000)
Loan repayment	-	100,000
Share subscription received	71,500	-
Shares issued for cash (net of share issue costs)	661,297	358,675
Warrants exercised	5,000	-
	737,797	358,675
Effect of exchange rate changes	-	(9,090)
Net change in cash	24,267	(202,950)
Cash, beginning of year	29,430	232,380
Cash, end of year	53,697	29,430

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

AMERICAN POTASH CORP.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Note	Common Shares		Share-based Payment Reserve	Warrant Reserve	Foreign Currency Translation Reserve	Shares Subscription Received	Deficit	Total Equity (Deficiency)
		Number of Shares	Amount						
			\$	\$	\$	\$	\$	\$	\$
Balance on July 31, 2015		13,630,409	6,016,167	1,047,433	483,849	341,782	-	(7,895,701)	(6,470)
Shares Issued for private placement	5	7,520,000	341,419	-	17,256	-	-	-	358,675
Net loss for the year		-	-	-	-	-	-	(156,508)	(156,508)
Other comprehensive loss		-	-	-	-	(3,433)	-	-	(3,433)
Balance on July 31, 2016		21,150,409	6,357,586	1,047,433	501,105	338,349	-	(8,052,209)	192,264
Shares issued for private placement	5	9,100,743	598,785	-	62,512	-	-	-	661,297
Exercise of warrants	5	50,000	5,000	-	-	-	-	-	5,000
Share subscription received	5	-	-	-	-	-	71,500	-	71,500
Share-based payments	5	-	-	187,711	-	-	-	-	187,711
Net loss for the year		-	-	-	-	-	-	(203,782)	(203,782)
Other comprehensive loss		-	-	-	-	(39,928)	-	-	(39,928)
Balance on July 31, 2017		30,301,152	6,961,371	1,235,144	563,617	298,421	71,500	(8,255,991)	874,062

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

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2017 and 2016
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

American Potash Corp. (the “Company”) was incorporated on June 5, 2006 under the laws of British Columbia. The shares of the Company are traded on the Canadian Securities Exchange (“CSE”) under the symbol ‘AMP’. The Company is dedicated to the acquisition and development of potash mineral deposits in the United States and elsewhere.

The Company’s head office and registered and records office is 800 – 1199 West Hastings Street, Vancouver, BC, Canada V6E 3T5.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2017, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral properties exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements were authorized for issue on November 28, 2017 by the directors of the Company.

Statement of compliance

The consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as at fair value through profit or loss have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entity. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation. Details of controlled entities are as follows:

	Country of Incorporation	Percentage owned as at July 31,		Principal Activity
		2017	2016	
American Potash LLC ("American Potash")	United States	100%	100%	Mineral exploration

Significant accounting estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, the recoverability and measurement of deferred tax assets, provisions for restoration and environmental obligations and contingent liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses; and
- the determination of the functional currency of the parent company and its subsidiary.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2017 and 2016
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies translation and transaction

The functional currency of an entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of American Potash is US dollars.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date when fair values were determined. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Financing costs

The costs related to equity transactions are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2017 and 2016
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in exploration and evaluation assets and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. Costs incurred before the Company has obtained the legal right to explore an area are recognized in profit and loss. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production of proceeds of disposition.

All capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration costs is not expected to be recovered, it is charged to the results of operations.

Decommissioning and rehabilitation liabilities

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. These changes are recorded directly to the related asset with a corresponding entry to the provision.

The increase in the restoration provision due to the passage of time is recognized as interest expense.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Decommissioning and rehabilitation liabilities (Continued)

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

The Company did not have any decommissioning and restoration obligations at July 31, 2017 and 2016.

Impairment of long-lived assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees, the fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the options granted at the date the Company receives the goods or the services using the Black-Scholes Option Pricing Model.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated in the transaction. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any value attributed to the warrants is recorded in the warrant reserve.

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from the transactions and other events from one-owner sources. Other comprehensive income refers to items recognized in comprehensive loss which are excluded from net income calculated in accordance with IFRS.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding shares for the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In periods where a net loss is reported all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

Income taxes

(a) Current income tax

Current income tax assets and liabilities for the current period is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the end of the each reporting period, in the countries where the Company operates and generates taxable income.

(b) Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences, at the end of each reporting period, between the tax bases of assets liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive loss.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Deferred income tax (Continued)

Income taxes (Continued)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Financial instruments

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at FVTPL when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2017 and 2016
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

The Company has implemented the following classifications for its financial instruments.

- a) Cash and marketable securities are financial assets at FVTPL; and
- b) Accounts payable and due to related parties have been classified as other financial liabilities.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
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(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements and are disclosed in the notes to the financial statements unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes to the financial statements when there is a transfer of resources or obligations between related parties.

New accounting standards and interpretations

IFRS 9 Financial Instruments

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

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3. EXPLORATION AND EVALUATION ASSETS

Green River Potash Project

In May, 2009, and amended on November 2, 2010, December 6, 2011, January 28, 2014 and November 4, 2015, American Potash entered into an option agreement (the "Sweetwater Option") to acquire applications to the United States Bureau of Land Management ("BLM") in respect of certain Utah permits, together with all permits and other rights issued pursuant to the applications, to allow for the exploration of potash prospects in Utah. A director of the Company is a party to the Sweetwater Option.

The Sweetwater Option entitles American Potash to acquire a 100% interest in permit applications, subject to a 2% royalty to the optionors which may be bought back for \$2,000,000 USD. The option may be exercised by having the Company pay a total of USD\$270,000 and issue in aggregate, 2,000,000 shares of Company to the optionors upon receiving grants of exploration permits for not less than 25,000 acres of Utah property, as follows:

- USD\$70,000 upon signing the option agreement (paid);
- 40,000 shares of the Company upon grant of the permits representing not less than 25,000 acres (issued February 14, 2014);
- USD\$50,000 cash and 600,000 shares of the Company on or before the first anniversary date of the start of the Sweetwater Option Period (40,000 shares issued February 14, 2014);
- USD\$50,000 cash and 150,000 shares of the Company on or before the second anniversary date;
- USD\$50,000 cash and 150,000 shares of the Company on or before the third anniversary date; and
- USD\$50,000 cash on or before the fourth anniversary date.

On January 31, 2014, fourteen prospecting permits were formally signed and delivered to the Company, with an effective date of March 1, 2014; thereby initiating the Sweetwater Option period.

On February 23, 2015, the Company amended the terms of the Sweetwater Option agreement and announced delayed scheduled cash payments to the optionors. Pursuant to the amended Sweetwater option agreement, the Company is to issue the outstanding 3.6 million shares of the Company within a reasonable period of time from the first anniversary of the receipt of the federal potash prospecting permits which was on February 7, 2014 (3.6 million shares issued February 13, 2015). The scheduled cash payments are to be delivered no later than the following dates and in the following allocations: USD\$10,000 on the first anniversary of the receipt date; USD\$15,000 on the 18-month anniversary of the receipt date (paid August 21, 2015); USD\$25,000 on the earlier of the date that is 120 days immediately following the drill date and the two-year anniversary of the receipt date; and USD\$150,000 on the earlier of the date that is 120 days immediately following the drill date and the three-year anniversary of the receipt date.

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

Green River Potash Project (Continued)

On February 23, 2015, the Company fulfilled the first anniversary obligations to the optionors, pursuant to the Sweetwater Option agreement, by issuing 3.6 million shares in the Company and paying US\$10,000. During the year ended July 31, 2017, the scheduled payments were amended.

During the year ended July 31, 2015, the fourteen prospecting permits delivered to the Company on January 31, 2014 expired as annual rent payments required to keep the permits in good standing were not paid. Sweetwater River Resources LLC has applied to the BLM for 12 new potash prospecting permits that encompass the same area as the original permits that expired. During the year ended July 31, 2015, no permits had been granted and as such the expired permits were impaired and fully written-off.

On November 5, 2015, the Company entered into an amending agreement to the option agreement, as amended with Sweetwater River Resources LLC. Pursuant to the amending agreement, the parties agreed that the 12 new potash prospecting permits that Sweetwater has applied for in Utah shall be subject to the option agreement. Accordingly, the Company will continue to hold an option to acquire a 100-per-cent interest in the new prospecting permits applied for by Sweetwater pursuant to the terms of the option agreement. The parties agreed that the remaining USD\$175,000 of cash payments required under the Sweetwater Option shall be paid as follows:

- USD\$25,000 upon closing of a single financing or multiple financings totalling a minimum of \$200,000 by the Company (paid);
- USD\$25,000 on February 7, 2016 (paid);
- USD\$25,000 on June 7, 2016 (paid);
- USD\$25,000 on October 7, 2016 (paid); and
- USD\$75,000 within 30 days of new prospecting permits being granted by the BLM.

On December 21, 2015, the Company has received verification by the BLM regional office in Moab, Utah, of receipt and official documentation and filing of the Company's 12 potash permit applications in the Paradox basin of southeast Utah, United States, that the Company has under option through an agreement with Sweetwater River Resources LLC. However, BLM notified the Company that it will not process any potash claim application until late 2016 as BLM is in the process of finalizing the environmental impact statement for the area where the claims are located. As a result, the payments of \$154,570 made to Sweetwater River Resources LLC for application related costs were capitalized as refundable deposits as at July 31, 2017.

In 2011, the Company acquired eleven non-contiguous Utah State Trust Land potash lease units. The eleven lease units are all within the boundaries of the BLM potash prospecting permit applications held by the Company.

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

Green River Potash Project (Continued)

Green River Potash Project Expenditures

	Total for year ended July 31, 2017	Total for year ended July 31, 2016
Mineral acquisition costs:	\$	\$
Balance, beginning	1	1
Balance, ending	1	1
Exploration and evaluation expenditures:		
Balance, beginning	232,824	-
General administration	-	4,800
Permit SITLA	-	41,358
Federal permit	19,346	126,027
Foreign exchange translation	23,313	60,639
Balance, ending	275,483	232,824
Total	275,483	232,824

Lithium Brines Project

During the year ended July 31, 2017, the Company acquired 230 lithium claims in Utah. On April 11, 2017, as amended on October 18, 2017 the Company closed a joint venture earn-in option agreement with Power Metals Corp. ("Power Metals") to explore and develop lithium brines beneath the Company's existing lithium claims and Utah state lithium leases.

The agreement entitles Power Metals to earn up to 65% of all of the Company's lithium holdings in Utah by completing the following:

- Finance and complete two exploration wells targeting lithium brine occurrences beneath the Company's U.S. federal lithium claims and/or its Utah state lithium leases; the drill rig must be mobilized on site for the first well within six months of the definitive agreement signing date and the second well within one year of the definitive agreement signing date;
- Deliver to American Potash a cash deposit of \$250,000 within 90 days of the definitive agreement signing date (subsequently deleted on amendment on October 18, 2017);
- Issue one million common shares of Power Metals to the Company; shares will be issued according to the following schedule: one-third 180 days after the definitive agreement date, one-third after 270 days of the definitive agreement date and one-third on the first anniversary of the definitive agreement date (received).

On June 7, 2017, the Company received 1,000,000 of Power Metals (PWM) from the joint venture earn-in option agreement with Power Metals. The fair value of the shares at acquisition date and

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

Lithium Brines Project (Continued)

at July 31, 2017 were \$280,000 and recorded as a reduction to the mineral properties, resulting in a gain on disposition of \$145,290.

Lithium Brines Project Expenditures

	Total for year ended July 31, 2017	Total for year ended July 31, 2016
Mineral acquisition costs:	\$	\$
Balance, beginning		-
Acquisition of claims	107,720	
Disposition of mineral property	(107,720)	
Balance, ending	-	-
Exploration and evaluation expenditures:		
Balance, beginning		-
Federal permit	50,028	-
Disposition of mineral property	(26,990)	-
Foreign exchange translation	(23,038)	-
Balance, ending	-	-
Total	-	-

Colorado Project

On March 30, 2017, the Company entered into an option agreement to acquire 608 U.S federal placer mining claims located in the southeast extension of the Paradox basin in San Miguel county, southwest Colorado. The beneficial ownership of the claims will be assigned for a total consideration \$79,300, which is made up of the following costs:

- Staking costs of USD\$76,000 (\$125 per Claim);
- County registration Fee of USD\$3,300 (\$8.25 per Claim).

The purchase price shall be paid as follows:

- USD\$53,300 within 5 business days of the execution of the agreement (paid); and
- USD\$26,000 within 60 days of the payment date (paid).

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

Colorado Project (Continued)

Colorado Project Expenditures

	Total for year ended July 31, 2017	Total for year ended July 31, 2016
Mineral acquisition costs:	\$	\$
Balance, beginning	99,006	-
Balance, ending	99,006	-
Exploration and evaluation expenditures:		
Balance, beginning	-	-
Claim registration fees	211,407	-
Balance, ending	211,407	-
Total	310,413	-

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2017	July 31, 2016
	\$	\$
Accounts payable	41,469	85,259
Taxes payable	917	917
	42,386	86,176

5. SHARE CAPITAL

(a) Authorized

Unlimited common shares with no par value.

(b) Issued and outstanding

At July 31, 2017, there were 30,301,152 (2016 – 21,150,409) issued and fully paid common shares.

(c) Common shares

Year ended July 31, 2017

During the year ended July 31, 2017, the Company received \$71,500 in share subscriptions toward a private placement which was closed subsequently.

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5. SHARE CAPITAL (Continued)

(c) Common shares (Continued)

Year ended July 31, 2017 (Continued)

On May 26, 2017, the Company closed a non-brokered private placement for 2,075,000 units at \$0.10 per unit for gross proceeds of \$207,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into one common share of the Company for a period of 12 months at an exercise price of \$0.15. Using the residual value method, the value attributed to the warrants was \$36,500. In connection with the closing of the private placement, the Company paid \$7,525 cash and issued 75,250 purchase warrants for finders' fees. Each finder's warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.15 for a period of one year. The fair value of the finder's warrants was determined to be \$4,646 using the Black-Scholes valuation model with the following assumptions: expected life – 1 years, average risk-free interest rate – 0.69%, expected dividend yield – 0%, and average expected stock price volatility – 231%.

On April 13, 2017, the Company issued 50,000 common shares related to the exercise of 50,000 warrants at an exercise price of \$0.10 per share.

On March 20, 2017, the Company closed the first tranche of a non-brokered private placement for 1,388,888 units at \$0.09 per unit to raise total proceeds of \$125,000 out of \$250,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable into a common share of the Company for a period of 24 months at an exercise price of \$0.12. Using the residual method, a \$Nil value was allocated to the warrants.

On March 30, 2017, the Company closed the second tranche of a non-brokered private placement for 1,388,890 units at a \$0.09 per unit to raise the rest of the total proceeds of \$125,000 out of \$250,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant will be exercisable into a common share of the Company for a period of 24 months at an exercise price of \$0.12. Using the residual method, the value attributed to the warrants was \$13,888. In connection with the closing of the private placements, the Company paid \$1,250 in finders' fees.

On December 1, 2016, the Company closed a non-brokered private placement of 2,927,256 units at a price of \$0.055 per unit for gross proceeds of \$161,000. Each unit consisted of one common share and one common share purchase warrant. Each Warrant will be exercisable into a common share of the Company for a period of twelve months at an exercise price of \$0.10. Using the residual method, a \$Nil value was allocated to the attached warrants. In connection with the closing of the private placement, the Company issued 109,453 finders' warrants and paid \$19,562 in finders' fees. Each finder warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.10 for 12 months. The fair value of the finder's warrants was determined to be \$5,744 using the Black-Scholes valuation model with

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5. SHARE CAPITAL (Continued)

(c) Common shares (Continued)

Year ended July 31, 2017 (Continued)

the following assumptions: expected life – 1 years, average risk-free interest rate – 0.68%, expected dividend yield – 0%, and average expected stock price volatility – 169%.

On September 20, 2016, the Company closed a non-brokered private placement of 1,320,709 units at a price of \$0.055 per unit for gross proceeds of \$72,634. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.10 for a period of 24 months. Using the residual method, a \$Nil value was allocated to the attached warrants. In connection with the closing of the private placement, the Company paid \$1,500 cash and issued 27,288 purchase warrants for finders' fees. Each finder's warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.10 for a period of 24 months. The fair value of the finder's warrants was determined to be \$1,734 using the Black-Scholes valuation model with the following assumptions: expected life – 1 years, average risk-free interest rate – 0.6%, expected dividend yield – 0%, and average expected stock price volatility – 249%.

Year ended July 31, 2016

On January 22, 2016, the Company announced a consolidation of its issued and outstanding share capital on the basis of one (1) post consolidation share for each five (5) pre-consolidation common shares. No fractional shares will be issued under the Consolidation and any fraction was rounded to the nearest whole number. All current and comparative references to shares, warrants, options, weighted average number of common shares and loss per share have been restated to give effect to the share consolidation.

On April 12, 2016, the Company closed a non-brokered private placement of 7,520,000 units at a price of \$0.05 per unit for total proceeds of \$376,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company until April 12, 2020 with an exercise price of \$0.10 for the first two years, and exercise price of \$0.15 for the third year and \$0.20 for the fourth year. Using the residual method, a \$Nil value was allocated to the attached warrants. Cash finders' fees of \$17,325 were paid, plus 304,500 finders' warrants issued in relation to the private placement. The fair value of the finder's warrants was determined to be \$17,256 using the Black-Scholes valuation model.

(d) Basic and diluted loss per share

Diluted loss per share did not include the effect of 2,400,000 (July 31, 2016 – 600,000) stock options and 18,066,280 (July 31, 2016 – 9,463,900) warrants as the effect would be anti-dilutive.

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5. SHARE CAPITAL (Continued)

(e) Stock options

The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

During the year ended July 31, 2017, the Company granted 1,800,000 (2016 – Nil) stock options to its officers, directors and consultants. The options are exercisable at a price ranging from \$0.10 to \$0.15 and may be exercised within 1 to 5 years from the date of issuance. The options vested immediately upon grant. The share-based payment expense of \$187,711 was determined by the Black-Scholes Option Pricing Model using the following assumptions: expected life – 1-5 years, average risk-free interest rate – 1.11% - 1.28%, expected dividend yield – 0%, and average expected stock price volatility – 201%-230%.

The continuity of exercisable stock options for the year ended July 31, 2017 is as follows:

	Number of Options	Weighted Average
	Outstanding	Exercise Price
		\$
Balance, July 31, 2015	710,000	0.50
Options expired	(60,000)	0.75
Options canceled	(50,000)	0.50
Balance, July 31, 2016	600,000	0.50
Options Issued	1,800,000	0.11
Balance, July 31, 2017	2,400,000	0.20

Details of options outstanding and exercisable at July 31, 2017 are as follows:

Number of Options Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
600,000	0.50	0.46
1,600,000	0.10	4.63
200,000	0.15	0.99
2,400,000	0.20	4.13

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5. SHARE CAPITAL (Continued)

(f) Share purchase warrants

The continuity of warrants for the year ended July 31, 2017 is as follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price (\$)
Balance, July 31, 2015	2,932,523	0.65
Warrants expired	(1,293,123)	0.70
Warrants issued	7,824,500	0.14
Balance, July 31, 2016	9,463,900	0.22
Warrants issued	3,724,352	0.10
Warrants issued	2,777,778	0.12
Warrants issued	2,150,250	0.15
Warrants exercised	(50,000)	0.10
Balance, July 31, 2017	18,066,280	0.17

Details of warrants outstanding as at July 31, 2017 are as follows:

Number of Warrants Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)
71,400	\$0.60	0.60
1,568,000	\$0.60	0.60
7,824,500	\$0.14	2.70
637,643	\$0.10	1.12
3,036,709	\$0.10	0.32
1,388,888	\$0.12	1.64
1,388,890	\$0.12	1.68
2,150,250	\$0.15	0.84
18,066,280	\$0.17	1.67

(g) Share based payment reserve

The share-based payment reserve records items recognized as share-based payment expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(h) Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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5. SHARE CAPITAL (Continued)

(i) Foreign currency translation reserve

The translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

6. RELATED PARTY TRANSACTIONS

Related party balances

The following amounts are payable to related parties as at July 31, 2017 and 2016:

	July 31, 2017	July 31, 2016
	\$	\$
Companies controlled by directors of the Company	13,274	24,866
Directors and officers of the Company	(441)	-
	12,833	24,866

The amounts due are unsecured, non-interest bearing and has no fixed terms of repayment.

During the year ended July 31, 2016, directors of the Company provided the Company with short term loans (Note 7).

During the year ended July 31, 2016, the Company settled an amount owing to a former director of the Company for \$25,000, resulting in a gain on debt settlement of \$37,500.

The Company incurred the following transactions with directors, officers and companies that are controlled by directors of the Company:

Services provided by:	July 31, 2017	July 31, 2016
	\$	\$
Consulting fees	112,077	68,119
Professional fees	24,000	15,883
Option payments	-	66,657
	136,077	150,659

A director of the Company is a party to the Sweetwater Option Agreement (Note 3).

Key management compensation included the consulting fees of \$112,077 (2016: \$68,119).

AMERICAN POTASH CORP.

Notes to the Consolidated Financial Statements

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7. SHORT TERM LOANS

During the year ended July 31, 2016, a director of the Company provided \$50,000 in a short-term loan. The loan was unsecured, repayable upon completion of a financing by the Company, and bore interest at a rate of 1% per annum (Note 6). The Company repaid the loan during the year.

During the year ended July 31, 2016, a third party provided \$50,000 in a short-term loan. The loan was unsecured, repayable upon completion of a financing by the Company, and bore interest at a rate of 6% per annum (Note 6). The Company repaid the loan during the year.

8. COMMITMENTS

On June 1, 2011, the Company entered into an agreement with St. Cloud Mining Services Inc. (wholly owned by one of the directors) to provide management/consulting services to the Company at a rate of \$5,000 per month for a period of twelve months and automatically extending for further one year terms.

On March 1, 2017, the Company amended the agreement with St. Cloud Mining Services Inc. to an increased rate of \$7,500 per month.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure. The risk is assessed as low.

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9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT(Continued)

(b) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The functional currency of American Potash is the US dollar. Foreign currency risk arises from the fluctuation in currency exchange between the Canadian dollar and US dollar. The Company has not entered into financial instruments to hedge against this risk.

The following is an analysis of Canadian Dollar equivalent of financial assets and liabilities that are denominated in US dollars:

	July 31, 2017	July 31, 2016
	\$	\$
Cash	12	1,687
Accounts payable	(8,271)	(28,673)
	(8,259)	(26,986)

Based on the above net exposures, as at July 31, 2017, a 10% change in the US dollar to Canadian Dollar exchange rate would impact the Company's net income by \$826.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. All of the Company's financial liabilities have contractual maturities of less than three months. Liquidity risk is assessed as high.

(d) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(e) Interest Rate Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered immaterial.

AMERICAN POTASH CORP.

Notes to the Consolidated Financial Statements

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9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT(Continued)

(f) Fair Values

Financial instruments recognized at fair value on the consolidated statement of financial position must be classified in one of the following three fair value hierarchy levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Cash and marketable securities are measured using level 1 inputs.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

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 were no changes in the Company's approach to capital management during the year.

11. SEGMENTED INFORMATION

The Company's activities are all in one industry segment of mineral property acquisition and exploration. The Company's exploration operations are centralized whereby management of the Company is responsible for business results and the everyday decision-making. The Company's operations therefore are segmented on a geographic basis. The Company's non-current assets are all located in the United States.

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12. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended July 31, 2017	Year ended July 31, 2016
	\$	\$
Net loss before tax	203,782	156,508
Statutory tax rate	26.0%	26.0%
Expected income tax recovery at the statutory tax rate	(52,983)	(40,692)
Non-deductible items	(54,212)	(9,547)
Foreign tax rate difference	(472)	(396)
Change in deferred tax asset not recognized	107,667	50,635
Income tax expense	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	July 31, 2017	July 31, 2016
	\$	\$
Non-capital loss carry-forwards – Canada	795,765	691,442
Non-capital loss carry-forwards – US	44,123	42,929
Mineral properties	1,273,029	1,273,029
Other	23,359	21,209
	2,136,276	2,028,609

AMERICAN POTASH CORP.**Notes to the Consolidated Financial Statements****For the years ended July 31, 2017 and 2016****(Expressed in Canadian Dollars)****12. INCOME TAXES (Continued)**

The Company has net operating loss carry forwards which may be carried forward to apply against future year income tax for Canadian and US income tax purposes subject to the final determination by taxation authorities, expiring in the following years:

	Canadian non-capital losses	US non-capital losses
	\$	\$
2026	10,228	-
2027	73,564	-
2028	2,780	-
2029	241,781	-
2030	71,222	-
2031	68,791	-
2032	304,089	27,176
2033	606,596	22,380
2034	635,090	66,480
2035	461,410	959
2036	158,044	9,269
2037	427,039	3,511
	3,060,634	129,775

13. SUBSEQUENT EVENTS

- (a) On August 9, 2017, the Company closed a non-brokered private placement for 12,920,000 units at a \$0.10 per unit for gross proceeds of \$1,292,000. Each unit is composed of one common share of the issuer and one common share purchase warrant of the issuer. Each warrant will be exercisable into a common share of the Company for a period of 12 months at an exercise price of \$0.15.
- (b) On August 16, 2017, the Company entered into a market making agreement with ACON Actienbank AG ("ACON"), a market maker based in Frankfurt, Germany, whereby the Company engaged ACON to provide market making services on the Frankfurt Stock Exchange on behalf of the Company. In consideration for the market making services, the Company has agreed to pay a fee in the amount of 5,000 euros plus value-added tax (if applicable) on a quarterly basis. The term of the agreement is for a period of 12 months and will be extended for an unlimited period if it is not terminated.
- (c) On September 25, 2017, the Company engaged the services of German Mining Networks ("German Mining"), based in Frankfurt, Germany. German Mining will work to increase investor awareness of the Company in Europe. The investor relations firm has been retained for an initial three months at a rate of \$3,500 per month plus expenses.

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13. SUBSEQUENT EVENTS (Continued)

(d) On September 26, 2017, the Company's joint venture partner, Power Metals, has signed the definitive agreement with MGX Minerals Inc. ("MGX") previously announced through a binding letter of intent agreement on August 2, 2017.

The concluded transaction terms are as follows:

- MGX acquires all of Power Metals' current U.S. petrolithium brine assets;
- MGX acquires a 20% working interest in all of Power Metals' current hard-rock assets and any future assets that Power Metals acquires for the following 36 months;
- MGX has the right to purchase an additional 15% working interest of Power Metals' hard-rock assets for a period of 36 months for a total of \$10-million;
- MGX receives a call option to purchase up to 10 million common shares of Power Metals at a price of 65 cents per share for a period of 36 months; and
- MGX pays to Power Metals three million common shares of MGX;

Final completion of the transaction is subject to final regulatory approval from both the CSE and the TSX Venture Exchange.

On October 26, 2017, the Company signed a six-month extension agreement with MGX. This extension applies to its joint venture option agreement dated April 3, 2017. The extension agreement extends the financing requirement of the first well to March 31, 2018, and the second well to 12 months after September 30, 2018. The Company also waived the requirement of the USD\$250,000 deposit which was included in its April 3, 2017, agreement.