



**(formerly IC Potash Corp.)**

# 2017

## Management's Discussion and Analysis

for the year ended December 31, 2017

**Management’s Discussion and Analysis**

**Belgravia Capital International Inc. (Formerly IC Potash Corp.)**

**Hereafter called “Belgravia”, the “Company”, or the “Corporation”**

**(Containing information up to and including February 28, 2018)**

**Description of Management’s Discussion and Analysis**

This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements of the Corporation for the years ended December 31, 2017 and December 31, 2016. This MD&A was prepared as at February 28, 2018. This MD&A contains forward-looking information and statements, which are based on the conclusions of management. The forward-looking information and statements are only made as of the date of this MD&A.

All financial information is presented in Canadian dollars unless otherwise stated. All references to a year refer to the year-ended on December 31<sup>st</sup> of that year, and all references to a quarter refer to the quarter ended on December 31<sup>st</sup> of that year. The Corporation is a reporting issuer in Alberta, British Columbia, Ontario, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and the Northwest Territories.

Unless otherwise noted, financial results are reported in accordance with International Financial Reporting Standards (“IFRS”). Further details are included in Note 2 of the consolidated financial statements for the year ended December 31, 2017.

Additional information related to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation’s website at [www.belgraviacapital.ca](http://www.belgraviacapital.ca).

**Company Overview**

Belgravia is a Canadian-based company that plans to invest in the organic fertilizer and blockchain industries with a focus on applications in the legal cannabis industry. The Company will also invest in a portfolio of companies to achieve the desired risk-adjusted return with a focus on legal cannabis, blockchain, artificial intelligence, information technology, and mineral exploration and development. Belgravia is a corporation governed by the Canada Business Corporation’s Act. The shares of the Company are listed on the Canadian Securities Exchange (CSE) and the OTC Market under the symbols BLGV and BLGVF respectively. The Company’s registered office is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

It is the intention of the Company to obtain financing through access to public and private equity markets, debt and partnerships or joint ventures.

Belgravia owns 100% of Intercontinental Potash Corp. (“ICP”), a Canadian company previously involved in resource exploration and mine development. On November 30, 2009, the Corporation completed a reverse-takeover (“RTO”) with ICP. Legally, Belgravia is the parent of ICP, but for financial reporting purposes, Belgravia is considered to be a continuation of ICP. Belgravia was consolidated commencing on December 1, 2009.

The Company, indirectly through ICP, previously owned the majority of the outstanding common shares of PolyNatura Corporation (formerly Intercontinental Potash Corp. (USA)) (“ICP(USA)”). In March of 2017, the Company determined that it no longer controlled ICP(USA) and, accordingly, deconsolidated the financial reporting. In October of 2017, ICP sold all of its shares of ICP(USA), and correspondingly sold all of its interest in the Ochoa Project back to ICP(USA) as part of a Settlement and Release Agreement dated September 11, 2017 between

Belgravia; ICP; ICP (USA); and two companies related to Cartesian Capital LLC (Pangaea Two Acquisition Holdings XI, LLC and Pangaea Two Acquisition Holdings XIB, LLC) (the “Settlement”).

Belgravia directly owns 100% of ICP Organics, a Canadian company that plans to engage in research and development on organic fertilizers and invest capital in the cannabis industry.

### **Forward-Looking Statements**

This MD&A includes certain statements that may be deemed “forward-looking statements” as defined under applicable securities law. Other than statements of historical facts, statements in this discussion including, but not limited to, statements that address future research and investment plans and expected or anticipated events or developments are forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, market prices, demand for fertilizer products, exploration and evaluation successes or delays, continued availability of capital and financing, general economic, market or business conditions, statements regarding planned investment activities & related returns, trends in the markets for fertilizers and medicinal or recreational use of cannabis, the timing or assurance of the legalization of recreational cannabis, research and development activities, the potential value of royalties from water and other resources, technological advancement, competition, other statements that are not historical facts, and the risk factors identified herein. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company, including, but not limited to, changes in market trends, the completion, results and timing of research undertaken by the Company, risks associated with resource assets, the impact of general economic conditions, commodity prices, industry conditions, dependence upon regulatory, environmental, and governmental approvals, the uncertainty of obtaining additional financing, and risks associated with cannabis use for medicinal or recreational purposes. Although the Corporation believes the expectations expressed in any forward-looking statement are based on reasonable assumptions, investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements.

### **Management's Responsibility for Financial Statements**

The Company's management is responsible for the presentation and preparation of annual consolidated financial statements and the MD&A. The consolidated financial statements have been prepared in accordance with IFRS. The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

### **Description of Properties**

#### **Ochoa Project**

The Company no longer has any resource properties on its statement of financial position.

Through its indirect investment in ICP(USA), the Company held a majority interest in the Ochoa Project. On October 16, 2017, the Company sold its shares of ICP(USA) and as a result sold its interest in the Ochoa Project, which is described in the Preliminary Economic Assessment and the related National Instrument 43-101 compliant Technical Report (effective date October 28, 2016) filed on SEDAR on November 30, 2016.

## **Summary of Quarterly Results**

Selected quarterly financial information of the Corporation for the quarters ended December 31, 2017 is as follows:

### **Table of Results for the Quarters to December 31, 2017**

	<b>Dec 31</b>	<b>Sept 30</b>	<b>June 30</b>	<b>Mar 31</b>
	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
Total assets	\$ 4,100,279	\$ 640,022	\$ 1,450,263	\$ 1,385,112
Property, plant and equipment	\$ 1,266	\$ 1,494	\$ 1,821	\$ 2,127
Working capital	\$ 3,476,189	\$ (38,128)	\$ 535,499	\$ 162,387
Shareholders' equity (deficiency)	\$ 3,477,455	\$ (25,344)	\$ 549,058	\$ 164,516
Interest income	\$ 539	\$ 936	\$ 1,482	\$ 1,406
Net income (loss)	\$ 3,354,442	\$ (553,991)	\$ (302,350)	\$ (10,904,752)
Basic income (loss) per share	\$ 0.01	\$ (0.002)	\$ (0.001)	\$ (0.05)
Fully diluted gain (loss) per share	\$ 0.01	\$ (0.002)	\$ (0.001)	\$ (0.05)

Selected quarterly financial information of the Corporation for the quarters ended December 31, 2016 is as follows:

### **Table of Results for the Quarters to December 31, 2016**

	<b>Dec 31</b>	<b>Sep 30</b>	<b>Jun 30</b>	<b>Mar 31</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
Total assets	\$ 30,996,894	\$ 78,791,565	\$ 75,072,711	\$ 75,408,065
Property, plant and equipment	\$ 26,552,924	\$ 76,096,393	\$ 73,623,517	\$ 73,356,266
Working capital	\$ 790,051	\$ 686,721	\$ (372,699)	\$ 162,365
Shareholders' equity	\$ (14,748)	\$ 53,204,307	\$ 54,712,100	\$ 55,974,562
Interest income	\$ 1,174	\$ 722	\$ 19	\$ 25
Net loss	\$ (55,228,617)	\$ (2,386,356)	\$ (1,717,321)	\$ (2,151,763)
Basic loss per share	\$ (0.30)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Fully diluted loss per share	\$ (0.30)	\$ (0.01)	\$ (0.01)	\$ (0.01)

### **Results of Operations for the Quarter ended December 31, 2017**

The Corporation did not generate operating revenue during the quarter ended December 31, 2017; the main income for the quarter is the gain from deconsolidation and settlement with ICP(USA).

### **Investment in Associate**

On March 16, 2017, the Company determined it no longer has the power to govern the financial and operating policies of its subsidiary ICP(USA). As a result, the Company ceased to consolidate the assets, liabilities and results of operations of ICP(USA) on that date and began recognizing its investment retained in ICP(USA) as an investment in an associated company accounted for under the equity method. The net liabilities that is deconsolidated on loss of control of ICP(USA), based on March 16, 2017 balances, are:

	<b><u>USD</u></b>	<b><u>CAD</u></b>
Current assets	\$ 842,462	\$ 1,114,409
Non-current assets	20,890,813	28,015,317
Current liabilities	(1,733,891)	(2,293,591)
Non-current liabilities	(21,112,639)	(28,334,895)
Net liabilities of former subsidiary	(1,113,255)	(1,498,760)
Investment in associate	1	1
Gain on deconsolidation	\$ (1,113,254)	\$ (1,498,759)

In addition to the above gain on deconsolidation, the Company is required, under IFRS 10, to account for amounts recognized in accumulated other comprehensive loss in relation to the subsidiary. The Company reclassified \$10,137,668 (Dec 31, 2016 - \$nil) from accumulated other comprehensive income and recorded a loss through profit or loss.

On October 16, 2017, the Company sold its shares of ICP(USA).

### **Office and Administration Expenses**

Administration and related costs amounted to \$111,436 (2016 – \$54,482) for the quarter. This included director fees, telephone, postage and courier, dues and subscriptions, stationery, repairs and maintenance, utilities and related costs. It also includes the cost of special shareholder meeting in October 2017.

Business development and market development spending for the quarter was \$84,809 (2016 - \$154,079). Business development costs included activities related to the search for joint venture partners as well as exploring new investment strategies.

Consulting fees in the quarter were \$72,352 (2016 – \$154,227); this was mostly in respect of technical consulting and management consulting. This has decreased because the company's activity level and involvement in the Ochoa project was eliminated in the quarter.

Depreciation during the quarter amounted to \$259 (2016 - \$11,524). This relates to depreciation of computer equipment. Depreciation on assets owned by ICP(USA) was not consolidated during the quarter.

Fundraising activities for the quarter was \$34,119 (2016 – \$55,847). This amount is for expenses related to identifying and meeting with potential investors.

Investor relations cost in the quarter was \$31,425 (2016 – \$49,921). The Company reduced its investor relations activity in the quarter as it focused on other activities and conserved cash.

Professional fees of \$69,327 (2016 – \$68,169) for the quarter were incurred mostly in respect of auditing costs, other accounting costs, and legal costs. The increase is due to additional legal costs associated with the settlement with ICP(USA) in the quarter.

Regulatory fees including transfer agent and filing fees and CSE fees were \$25,479 (2016 - \$6,920). This increase is due to new listing fees with Canadian Securities Exchange.

Rent and storage in the quarter were \$1,680 (2016 - \$19,222). The decrease is due to the deconsolidation of ICP(USA).

Royalties and property leases for the quarter amounted to \$nil (2016 - \$21,382). There was no payment of royalties and property leases since the deconsolidation of ICP(USA).

Share-based compensation for the quarter was \$nil (2016 – \$52,184) due to no stock options being granted in the quarter.

Travel, including related costs, for the quarter amounted to \$4,669 (2016 – \$26,142) and were composed of such costs not specifically related to investor relations and business development. The decrease is largely due to the deconsolidation of ICP(USA) and the sale of the Ochoa project.

Wages and benefits for the quarter amounted to \$551,113 (2016 – \$352,140). This amount included the salaries and employment related costs of the President and Chief Executive Officer, Chief Financial Officer, Controller, Vice President, management and administrative staff. The increase is due to bonuses paid in the quarter.

Derivative expense adjustment for the quarter of (\$28,861) (2016 – (\$465,849)) relate to warrants being issued in a currency other than the functional currency of the Company. The decrease is because the functional currency was changed back to Canadian currency on October 31, 2017.

Finance costs for the quarter were \$nil (2016 - \$1,108,873). Finance costs are no longer recorded since the deconsolidation of ICP(USA).

### **Selected Annual Information**

Selected audited financial information of the Corporation for the years ended December 31, 2015, 2016 and 2017 is as follows:

	<b>December 31 2017</b>	<b>December 31 2016</b>	<b>December 31 2015</b>
Total assets	\$ 4,100,279	\$ 30,996,894	\$ 79,168,952
Property, plant and equipment	\$ 1,266	\$ 26,552,924	\$ 77,776,738
Working capital	\$ 3,476,189	\$ 790,051	\$ (1,157,319)
Shareholders' equity (deficiency)	\$ 3,477,455	\$ (14,748)	\$ 61,817,193
Interest income	\$ 4,363	\$ 1,929	\$ 5,417
Net loss	\$ (8,406,651)	\$ (61,484,056)	\$ (13,139,714)
Basic loss per share	\$ (0.04)	\$ (0.33)	\$ (0.08)
Fully diluted loss per share	\$ (0.04)	\$ (0.33)	\$ (0.08)

### **Results of Operations for the Year ended December 31, 2017**

The Corporation did not generate operating revenue during the year ended December 31, 2017, the main income for the year is the gain from deconsolidation and settlement with ICP(USA).

## **Office and Administration Expenses**

Administration and related costs amounted to \$275,707 (2016 - \$279,833) for the year. This included meeting costs, director fees, telephone, postage and courier, dues and subscriptions, stationery, repairs and maintenance, office security, utilities and related costs.

Business development and market development spending for the year was \$585,666 (2016 - \$269,175). Business development costs included activities related to the search for joint venture partners and product distributors as well as political contributions and public/community relations. The increase is due to the Company having more focus on business development this year as part of finding new assets and opportunities as a result of selling the Ochoa project.

Consulting fees in the year were \$292,342 (2016 - \$603,548); this was mostly in respect of IT consulting and financial consulting. The decrease is due to deconsolidation of ICP(USA).

Depreciation during the year amounted to \$6,384 (2016 - \$44,146). This relates to depreciation in respect of computer equipment. The decrease is due to deconsolidation of ICP(USA).

Fundraising activities for the year was \$507,917 (2016 - \$287,525). This amount is for expenses related to identifying and meeting with potential companies and investors. The Company was actively trying to raise money throughout the year had a private placement in June 2017 and completed a private placement subsequent to year-end in January 2018.

Investor relations cost in the year was \$282,528 (2016 - \$151,586). Investor relations costs increase due to more financing activities during the year and communications about the Company's new strategy.

Professional fees of \$419,814 (2016 - \$236,678) for the year were incurred mostly in respect of auditing costs, other accounting costs, and legal costs. The increase due to legal costs for the settlement with ICP(USA) during the year.

Regulatory fees including transfer agent and filing fees and CSE & OTC listing fees were \$90,331 (2016 - \$64,886). The increase due to new application for stock listing in CSE.

Rent and storage in the year were \$63,191 (2016 - \$76,541).

Royalties and property leases for the year amounted to \$nil (2016 - \$377,254). There is no more royalties and property leases due to deconsolidation of ICP(USA).

Share-based compensation for the year was \$323,577 (2016 - \$389,173) due to stock options being granted in the year.

Travel, including related costs, for the year amounted to \$138,841 (2016 - \$75,872) and were composed of such costs not specifically related to investor relations and business development.

Wages and benefits for the year amounted to \$1,217,346 (2016 - \$1,391,381). This amount included the salaries, bonuses, training and employment related costs of the President and Chief Executive Officer, Chief Financial Officer, Controller, management and administrative staff. The decrease is due to the reduction in the number of staff during this year and the deconsolidation of ICP(USA).

Interest income for the year was \$4,363 (2016 - \$1,929) earned from cash invested in bank savings account.

Derivative expense adjustment for the year was \$986,454 (2016 – (\$248,686)). Effective October 31, 2017, the functional currency of the Company changed to the Canadian dollar. The warrants are no longer considered a derivative liability since the obligation to issue shares is the same with Company’s functional currency.

Finance costs for the year was \$874,851 (2016 - \$3,343,837). These costs relate to amortization of issuance costs of securities of ICP(USA), accrued dividends and interest on securities of ICP(USA) and accretion on the decommissioning liabilities of ICP(USA). The decrease is due to the deconsolidation of ICP(USA).

## **Financings**

During the year ended December 31, 2017, the Company issued the following common shares:

- On January 24, 2017, the Company issued 200,000 shares at \$0.08 for gross proceeds of \$16,000 pursuant to the exercise of warrants.
- On March 1, 2017, the Company issued 6,573,333 units pursuant to a non-brokered offering at \$0.105 per unit for gross proceeds of \$690,200. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.16 per share until March 1, 2018, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds \$0.21 for 18 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the “Accelerated Expiry Date”) which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. In November 2017, the exercise price of these warrants was amended to be \$0.08 per share. The Company paid finder’s fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of \$504.
- On April 5, 2017, the Company issued 31,500 shares at \$0.065 for gross proceeds of \$2,048 pursuant to the exercise of broker warrants.
- On May 2, 2017, the Company issued 785,089 shares at \$0.065 for gross proceeds of \$51,031 pursuant to the exercise of broker warrants.
- On June 27 and June 28, 2017, the Company issued an aggregate of 16,738,808 units pursuant to a non-brokered offering at \$0.05 per unit for gross proceeds of \$836,940. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for \$0.08 per share until June 28, 2018, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds \$0.18 for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the “Accelerated Expiry Date”) which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. The Company paid finder’s fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of \$14,000 and issued 280,000 broker warrants entitling the broker to acquire one Common Share for a period of 12 months at an exercise price equal to \$0.06.
- In December 2017, the Company issued 1,688,571 shares at \$0.08 for gross proceeds of \$135,086 pursuant to the exercise of stock options and warrants.

Subsequent to the year ended December 31, 2017, the Company issued the following common shares:

- On January 10, 2018, the Company completed a private placement and has raised gross proceeds of \$6,699,500 through the issuance of 133,990,000 units at a price of \$0.05 per unit, with each unit consisting of one common share of the Company and one common share purchase warrant with each warrant entitling the holder thereof to acquire one common share of the Company at an exercise price of \$0.18 per share until January 10, 2019.

- In January 2018, the Company raised gross proceeds of \$2,642,410 by issuing 32,650,120 shares pursuant to the exercise of stock options, warrants and broker warrants.
- In February 2018, the Company raised gross proceeds of \$57,895 by issuing 723,690 shares pursuant to the exercise of warrants.

During the year ended December 31, 2016 the Company issued the following common shares:

- On May 20, 2016, the Company issued 18,498,891 units pursuant to a non-brokered offering, made of 17,998,891 units at \$0.045 and 500,000 units at \$0.05 per unit (issued to a Director of the Company) for gross proceeds of \$834,950. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.08 per share until May 20, 2017. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of \$38,496 (equal to 7% if the gross proceeds raised by such finders). The Company also issued an aggregate of 855,478 broker warrants to qualified eligible persons (equal to 7% of the aggregate number of units sold by such finders), each such broker warrant entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to \$0.065.
- On November 7, 2016, the Company issued 4,500,000 shares at \$0.08 pursuant to the exercise of warrants.
- On December 14, 2016, the Company issued 16,950,000 units at \$0.08 pursuant to a non-brokered offering, for gross proceeds of \$1,356,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.11 per share until December 14, 2017, provided that if, at any time after the date which is four months and one day following the Closing Date, the volume weighted average price of the common shares is equal to or exceeds \$0.18 for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. In November 2017, the exercise price of these warrants was amended to be \$0.08 per share and share and the expiry date was extended to March 1, 2018. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of \$85,680. The Company also issued an aggregate of 1,071,000 broker warrants to qualified eligible persons, each such broker warrant entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to \$0.11, with a fair value of \$26,535.

### **Preferred Shares**

- On November 25, 2014, ICP(USA) issued 500,000 convertible Series A Preferred Shares at a purchase price of USD\$10,000,000 to Cartesian Capital Group, LLC ("Cartesian"). The Series A Preferred Shares accrued dividends at a rate of 12% per year and were to mature on November 25, 2016, at which time they could be redeemed by the holder for the purchase price plus accrued dividends or converted into a non-diluted 7.8% interest of the common shares of ICP(USA). The terms of the Series A Preferred Shares were amended in February 2016 to extend the maturity date of the Series A Preferred Shares from November 25, 2016 to February 28, 2018 and to increase the dividend rate from 12% to 15% effective on February 29, 2016.
- During the year ended December 31, 2016, ICP(USA) issued 250,000 of convertible Series B Preferred Shares. Under the terms of the Securities Purchase Agreement signed on February 29, 2016, the Series B Preferred Shares were issued by ICP(USA) for USD\$2,500,000 on July 13, 2016 and USD\$2,500,000 on November 21, 2016. The Series B Preferred Shares bear a 12% dividend rate and were to mature on February 28, 2018, at which point they could be redeemed by the holder for the purchase price plus accrued dividends or converted into an additional non-diluted 21.1% interest of the common shares of ICP(USA).

Due to the deconsolidation of ICP(USA), the Company no longer has preferred shares on its statement of financial position at December 31, 2017.

## **Secured Notes**

- During the year ended December 31, 2016, ICP(USA) issued Secured Notes for USD\$2,500,000. The Secured Notes were issued on March 1, 2016 and are due on February 28, 2018, bearing interest at 11% per annum.
- The Secured Notes were secured by a first priority security interest in all of the assets of ICP(USA), including ICP(USA)'s interest and rights in the Ochoa Project.

Due to the deconsolidation of ICP(USA) the Company no longer has secured notes on its statement of financial position at December 31, 2017.

## **Liquidity and Capital Resources at December 31, 2017**

At December 31, 2017, the Corporation's working capital was \$3,476,189 (2016 – \$790,051). The sources of cash in the period included cash from Settlement Agreement with ICP(USA), issuing common shares, warrants exercised, stock options exercised, and interest earned on cash in the bank accounts.

The Corporation's continuation as a going concern is dependent on its ability to raise equity capital or borrowings sufficient to meet current and future obligations. There can be no assurances that management's plans for the Corporation will be successful.

The consolidated financial statements for the year ended December 31, 2017 have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. This MD&A does not give effect to any adjustment which would be necessary should the Corporation be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in this MD&A.

## **Transactions with Related Parties**

In July 2015, the Company signed a Termination and Settlement Agreement that included a severance payment to be paid to the former President and Chief Executive Officer:

The full amount of the severance of \$2,100,000 was expensed during the year ended December 31, 2015. As at December 31, 2017, the balance of employment liability is \$412,500 (2016 - \$700,000) and is included in current liabilities.

During the year ended December 31, 2017, the Company entered into the following transactions with related parties:

- a) Paid or accrued short-term employee benefits of \$661,011 (2016 - \$967,640), of which \$357,000 (2016 - \$141,000) was paid to Mehdi Azodi, \$nil (2016 - \$281,192) was paid to Randy Foote, \$62,011 (2016 - \$291,042) was paid to Ken Kramer, \$nil (2016 - \$205,906) was paid to Tom Cope and \$242,000 (2016 - \$48,500) was paid to Kevin Strong.
- b) Paid consulting fees of \$115,754 (2016 - \$543,168) to Graham Wheelock.
- c) Paid or accrued directors' fees, included in administrative costs, of \$147,250 (2016 - \$101,625), of which \$39,500 (2016 - \$18,375) was for Ernest Angelo, \$26,000 (2016 - \$18,375) was for Knute Lee, \$26,000 (2016- \$18,375) was for Pierre Pettigrew, \$51,250 (2016 - \$18,375) was for John Stubbs, \$4,500 (2016 - \$nil) was for Grant Sawiak, \$nil (2016 - \$9,375) was for Anthony Grey, \$nil (2016 – 9,375) was for George Poling, and \$nil (2016 - \$9,375) was for Joao Carrelo.
- d) Incurred share-based compensation in the form of stock options valued at \$273,927 (2016 - \$306,786), of which \$42,561 (2016 - \$31,357) was to Mehdi Azodi, \$nil (2016 - \$31,357) was to Joao Carrelo, \$42,561 (2016 - \$47,035) was to John Stubbs, \$nil (2016 - \$12,542) was to Ken Kramer, \$nil (2016 - \$47,035) was to George Poling, \$26,600 (2016 - \$31,357) was to Pierre Pettigrew, \$42,561 (2016 - \$34,491) was to Ernest Angelo, \$26,600 (2016 - \$31,357) was to Knute Lee, \$nil (2016 - \$31,357) was to Anthony Grey, \$17,227

(2016- \$8,898) was to Kevin Strong, \$49,217 (2016-\$nil) to Sidney Himmel and \$26,600 (2016 - \$nil) to Grant Sawiak.

- e) Included in accounts payable as at December 31, 2017 is \$83,370 (2016- \$1,024) due to key management personnel, which includes officers and directors and corporations controlled by officers and directors.
- f) Included in prepaid expenses as at December 31, 2017 is \$106,749 (2016- \$nil) prepaid to key management personnel, which includes officers and directors and corporations controlled by officers and directors.

Key management personnel compensation (including senior officers and directors of the Company):

	Year-ended	
	December 31, 2017	December 31, 2016
Short-term benefits *	\$ 661,011	\$ 967,640
Consulting fees *	115,754	543,168
Directors' fees **	147,250	101,625
Share-based compensation	273,932	306,786
Total remuneration	<u>\$ 1,197,947</u>	<u>\$ 1,919,219</u>

\* Amounts are included within wages and benefits on the statement of loss and comprehensive loss.

\*\* Amounts are included within administration on the statement of loss and comprehensive loss.

## **Financial Instruments**

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, investments, receivables, accounts payable and accrued liabilities, and employment liability.

Cash is measured at fair value using level one as the basis for measurement in the fair value hierarchy. Investments in public companies are measured at level one while investments in private companies are measured at level three. The warrant liability and embedded derivative are categorized as level three. The carrying value of receivables, accounts payable and accrued liabilities and employment liability approximate fair value because of the short-term nature of these instruments.

## **Other**

### **Outstanding Share data as at February 28, 2018:**

- (a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No Par Value	Unlimited	406,204,656

(b) Summary of Options outstanding as at February 28, 2018:

Number of Options	Exercise Price (CAD)	Expiry Date
200,000	\$ 0.08	March 31, 2018
200,000	\$ 0.09	March 31, 2018
250,000	\$ 0.12	November 14, 2019
500,000	\$ 0.10	November 24, 2019
350,000	\$ 0.10	February 14, 2020
200,000	\$ 0.10	March 1, 2020
9,900,000	\$ 0.18	January 10, 2021
1,000,000	\$ 0.18	January 16, 2021
250,000	\$ 0.14	January 30, 2021
100,000	\$ 0.13	February 9, 2021
9,100,000	\$ 0.08	June 6, 2021
300,000	\$ 0.08	July 12, 2021
3,900,000	\$ 0.10	February 14, 2022
7,650,000	\$ 0.14	January 23, 2023
33,900,000		

(c) Warrants outstanding as at February 28, 2018:

As at February 28, 2018, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Expiry Date
264,285	\$ 0.08	March 1, 2018
4,378,808	0.08	June 28, 2018
133,990,000	0.18	January 10, 2019
138,633,093		

(d) Broker warrants outstanding as at February 28, 2018:

As at February 28, 2018, the Company had broker warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Broker Warrants	Exercise Price	Average Contractual Life Remaining	Expiry Date
3,649,200	\$ 0.19	0.87 years	January 10, 2019
3,649,200			

### **Accounting Principles**

The financial statements have been prepared in accordance with IFRS.

The policies and estimates are considered appropriate under the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process. See also Note 2 in the consolidated financial statements for the year ended December 31, 2017 and also the consolidated financial statements for the year ended December 31, 2016 for additional detail on accounting principles.

## **Foreign currency translation**

The consolidated financial statements are presented in Canadian dollar. Prior to November 1, 2017, the functional currency of the Company and its subsidiaries was the U.S. dollars. The Company and its subsidiaries functional currency changed on a prospective basis from the U.S. dollar to Canadian dollar to better reflect the Company's business activities.

Transactions in foreign currencies are translated into the entities functional currency at the exchange rates at the date of the transactions. Monetary assets and liabilities of the Company's operations denominated in a currency other than the Canadian dollar are translated using the exchange rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates in effect at the date of the underlying transaction, except for depreciation related to non-monetary assets, which is translated at historical exchange rates. Exchange differences are recognized in the statements of loss and comprehensive loss in the year in which they occur.

## **New standards, amendments and interpretations:**

*Effective January 1, 2018*

IFRS 9 - Financial Instruments: Classification and Measurement. IFRS 9 is a new standard that will replace IAS 39. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 introduces new requirements for the classification and measurement of financial instruments as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value and a debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows in the form of principal and interest otherwise it is at fair value through profit or loss ("FVTPL"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The adoption of IFRS 9 is not expected to have an impact on the Company's consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers. IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The adoption of IFRS 15 is not expected to have an impact on the Company's consolidated financial statements.

*Effective January 1, 2019*

IFRS 16 – Leases. IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2019 and is currently evaluating the potential impact of the adoption of IFRS 16.

## **Risks and Uncertainties**

### **Credit risk**

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held at reputable financial institutions, from which management believes the risk of loss to be remote. Receivables consist primarily of amounts due from ICP(USA) and government agencies. The amount due from ICP(USA) was received subsequent to December 31, 2017.

The Company is to receive US\$12.2 million in contingent royalty payments as part of the Settlement. There is no guarantee that the Company will ever receive any royalty payments.

### **Liquidity risk**

As at December 31, 2017, the Company had a cash balance of \$1,095,353 to settle current liabilities of \$622,825. The Company is not subject to liquidity risk and significant cash has been injected in 2018.

### **Interest rate risk**

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade highly liquid demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as cash deposits are payable on demand and the Company currently does not carry interest bearing debt at floating rates.

### **Foreign currency risk**

The Company's functional currency is the Canadian dollar; however, there are transactions in U.S. dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 10% change in the foreign exchange rate would have had an approximate \$230,000 impact on foreign exchange gain or loss.

### **Equity Price risk**

The Company holds investments in private and public traded equity securities. Market prices for equity securities are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value.

### **Contingent Consideration risk**

The Company is to receive USD\$12.2 million in contingent royalty payments as part of the Settlement. There is no guarantee that the Company will ever receive any royalty payments.

### **Other risks**

The Corporation has a limited history of operations and no material earnings to date and there can be no assurance that the business of the Corporation will be successful or profitable. No dividends have been paid to date. Payment of any future dividends, if any, will be at the discretion of the Company's board of directors.

The Corporation will need additional funding to complete its short and long-term objectives. The ability of the Corporation to raise such financing in the future will depend on the prevailing market conditions, as well as the business performance of the Corporation. Current global financial conditions have been subject to increased volatility as a result of which access to public financing has been negatively impacted. There can be no assurances that the Corporation will be successful in its efforts to raise additional financing on terms satisfactory to the Corporation. The market price of the Corporation's shares at any given point in time may not accurately reflect the long-term value. If adequate funds are not available or not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, to develop new projects or to otherwise respond to competitive pressures.

To the extent of the holdings of IC Potash through its subsidiaries, the Corporation will be dependent on the cash flows of these subsidiaries to meet its obligations, which cash flows may be constrained by applicable taxation and other restrictions.

The Corporation is dependent upon the services of key executives, including the Chief Executive Officer.

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies and, consequently, there exists the possibility for such directors and officers to be in a position of conflict.

## **Management's Report on Internal Controls**

Disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of DC&P. There have been no changes in the Company's DC&P during the year ended December 31, 2017.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with applicable IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Corporation's controls are based on the COSO framework. COSO (Committee of Sponsoring Organizations of the Treadway Commission) is a joint initiative of the American Accounting Association, the American Institute of Certified Public Accountants, Financial Executives International, the Association of Accountants and Financial Professionals in Business and the Institute of Internal Auditors dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

## **Corporate Governance Practices**

The disclosure required pursuant to National Instrument 58-101-Disclosure of Corporate Governance Practices was made by the Corporation in its Management Information Circular which was mailed to shareholders and is accessible via the Internet for public viewing on the System for Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).

## **Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported year. Actual results could differ from those estimates.

## **Subsequent Event**

On January 5, 2018 the Company received the second payment from the Settlement Agreement with ICP(USA) for \$1,776,403 (US\$ 1.4 million)

## **Other Information**

The Corporation's website address is [www.belgraviacapital.ca](http://www.belgraviacapital.ca). Other information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com).