POTASH RIDGE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of financial position and results of operations of Potash Ridge Corporation ("Potash Ridge" or the "Corporation") has been prepared based upon information available to Potash Ridge as at March 30, 2017 and should be read in conjunction with Potash Ridge's audited consolidated financial statements and related notes as at and for the years ended December 31, 2016 and 2015 (the "Financial Statements"). The audited consolidated financial statements and MD&A are presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Standards Board ("IASB").

Readers are cautioned that this MD&A contains certain scientific and technical information regarding the Corporation's Blawn Mountain project that is derived from the Corporation's technical report entitled "Technical Report – The Blawn Mountain Project, Updated Prefeasibility Report dated effective January 10, 2017" prepared for the Corporation by Steven B. Kerr, Jason N. Todd and Deepak Malhotra of Millcreek Mining Group (the "Technical Report").

The following MD&A includes forward-looking information. Readers are cautioned to review the Cautionary Note Regarding Forward-Looking Information found on page 15 of this MD&A. This MD&A contains statistical data, market research and industry forecasts that were obtained from government or other industry publications, publicly available sources and reports purchased and commissioned by the Corporation or based on estimates derived from such publications and reports and management's knowledge of, and experience in, the markets in which the Corporation operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Further, certain of these organizations are advisors to participants in the fertilizer and mining and minerals industries, and they may present information in a manner that is more favourable to that industry than would be presented by an independent source. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although management of the Corporation believes that these sources are generally reliable, the accuracy, currency and completeness of such information is not guaranteed and has not been independently verified. Further, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.

Additional information related to Potash Ridge, including its Annual Information Form ("AIF"), which outlines key risks the Corporation is exposed to, and Financial Statements is available on SEDAR at www.sedar.com or on its website at www.potashridge.com.

Overview

Potash Ridge is a Canadian based exploration and development company with two potassium sulphate ("SOP") development projects located in Valleyfield, Quebec and Beaver County, Utah. SOP is a premium priced low chloride fertilizer used predominantly in the growing of fruits, vegetables, nuts and tobacco. The objective of the Corporation is to become the lowest cost producer and supplier of SOP in North America.

The Corporation's near-term Valleyfield Project intends to produce SOP utilizing well-known Mannheim technology which converts muriate of potash ("MOP") into SOP using a chemical process which uses MOP, sulphuric acid and heat to create SOP and hydrochloric acid. Initial production is estimated to be 40,000 tonnes per annum of SOP.

The Blawn Mountain Project ("Blawn") in Utah involves the exploration, development and production of mineral resources and is currently focused on the exploration of alunite in order to produce SOP, co-product sulphuric acid, and potentially, alumina. Blawn comprises 23.5 sections of land owned by the State of Utah, acting by and through the School and Institutional Trust Lands Administration ("SITLA"), and covers approximately 15,404 acres (6,233 hectares) of land located in Beaver County, Utah.

Highlights

Q4 2016

- Secured convertible security funding agreement of up to US$11.8 million;
- Secured commitment from Migao Corporation ("Migao"), an SOP producer in China, to provide technical, procurement, construction and commission support on Valleyfield Project; and
- Funding of hydrochloric acid equipment and ten-year off-take agreement for hydrochloric acid commitment with Jones-Hamilton Co. ("JH") for the Valleyfield Project.

Fiscal Year 2016

- Updated independent NI 43-101 compliant technical report on Blawn completed and released on January 18, 2017;
- SNC Lavalin engaged to complete an engineering, procurement and construction program for the Valleyfield Project; and
- Raised $3.15 million in equity financings and secures approximately $18.0 million in other capital commitments.

Corporate

(a) Convertible Security

On December 16, 2016, the Corporation announced a convertible security funding agreement (the "Lind Agreement") with Lind Asset Management VIII, LLC, managed by The Lind Partners, LLC, a New York-based institutional fund manager (together, "Lind") for the issue of convertible securities. The Lind

Agreement provides for up to US$11,757,000 by way of two separate convertible securities. On January 4, 2017, the Corporation closed the first convertible security (the "First Tranche") of US$2,640,000, of which US$2,250,000 was received on December 28, 2016 (See Note 10 – Loan payable). The First Tranche has a twenty-four month term from date of issuance, and interest is prepaid and added to its principal amount; accordingly, the initial face value of the First Tranche is US$3,168,000, and yield of the First Tranche (if held, unconverted, to maturity) will be 10% per annum, or $528,000. Lind has the option to increase the First Tranche by up to US$871,000 at any time. In addition, the Corporation paid a US$132,000 closing fee to Lind and granted Lind 6,511,326 common share purchase warrants ("Lind Warrants") with each Lind Warrant entitling Lind to purchase one additional common share at a price of C$0.50 per Common Share for a five year period.

The First Tranche is convertible into common shares at a conversion price equal to 85% of the volume weighted average trading price of the Common Shares (In Canadian dollars) for the five consecutive trading days immediately prior to the date on which Lind provides the Corporation with notice of its intention to convert an amount of the First Tranche. The First Tranche was completed under private placement rules of the TSX with a four-month plus one day hold period. The Corporation has the right to buy-back the First Tranche at any time for a 5% premium, or for no premium during the first six months following the closing.

The First Tranche is subject to customary events of default, which if they occur, make the First Tranche immediately payable and includes if, after the first four months, the Corporation's cash balance is less than C$1,000,000 or its market capitalization falls below C$25,000,000.

Subject to certain conditions, the Lind Agreement also provides for the issuance of a second convertible security on mutual agreement of the Corporation and Lind, in which Lind may fund up to another US$6,200,000. Lind may also increase the funding under the second convertible security by up to US$2,046,000 million.

(b) Supply Agreement

On March 23, 2017, the Corporation and JH executed a supply agreement whereby JH committed to purchasing the hydrochloric acid by-product from the Valleyfield Project in addition to committing to fund approximately 15% of the capital cost of the Valleyfield Project. Upon execution of the agreement, JH made a payment of US$500,000 to the Corporation.

(c) SITLA Forbearance

On March 16, 2017, SITLA agreed to an extension of the forbearance period from April 1, 2017 to June 30, 2017. As part of the extension, the Corporation made a US$500,000 payment to SITLA on March 24, 2017.

Outlook

Valleyfield Project

The Corporation's focus is progressing the development of its wholly-owned Valleyfield Project, including the negotiation of an off-take agreement for SOP and securing the estimated capital cost of $50.0 million, with approximately 15% being secured through the Jones-Hamilton agreement. As part of the SOP off-take arrangement, it is expected that the supply of MOP will also be secured. In January

2017, the Corporation secured the supply of sulphuric acid for a five year period for the Valleyfield Project.

The Corporation continues to focus on achieving key milestones for advancing the Valleyfield Project which include:

- completion of engineering;
- obtaining the requisite regulatory construction permits and environmental certifications;
- negotiating SOP off-take and marketing agreements; and
- securing financing.

Once the requisite regulatory construction permits and environmental certifications have been obtained, construction of the Valleyfield Project is expected to take twelve months with full commissioning within approximately one month of completion and generate cash-flow of $14.0 million per year.

Blawn

On January 18, 2017, the Corporation released an updated technical report on Blawn which reflects average annual SOP production of 232,000 tons over a 46 year mine life with a capital cost of approximately $458.0 million (the "Blawn Technical Report"). The Blawn Technical Report incorporates results of trade-off and scaling studies performed by SNC Lavalin for the processing facility from a previous technical report prepared in 2013. The results of the lower production profile include lower capital costs while retaining similar level of returns. The technical report reflects robust economics and is available on SEDAR at www.sedar.com.

The Corporation will continue to focus on advancing Blawn to a production decision with the following being key milestones for the project:

- completion of engineering which includes additional metallurgical test work;
- obtaining the final permit (Air Quality Emissions);
- obtaining Engineering Procurement Construction quotes;
- finalizing terms of the co-product agreement;
- negotiation an SOP off-take agreement; and
- securing the necessary financing.

There is no guarantee that the Corporation will be successful in its fund raising initiatives and the timing is uncertain. An inability to raise additional financing may materially impact the future assessment of the Corporation to continue as a going concern.

Financial

The Corporation is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to, the challenges of securing adequate capital to fund its activities, operational risks inherent in the mining and fertilizer industries, and global economic and commodity price volatility. The underlying value of Blawn and the Valleyfield Project, and the recoverability of the related capitalized costs are entirely dependent on the Corporation's ability to successfully develop Blawn and Valleyfield Projects by, among other things, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of its mineral property.

In light of the challenging capital market conditions for junior resource issuers, the Corporation implemented various cost reduction initiatives in early 2015, with the objective of significantly reducing cash outflows and managing its cash position. These initiatives included a reduction in headcount, salary reductions for all senior management, and an elimination of all non-critical expenditures. These cost reduction initiatives continued through 2016.

The Corporation incurred a comprehensive loss for the year ended December 31, 2016 of $3,189,841 (2015 – comprehensive income of $2,643,029). The Corporation's sole source of funding has been the issuance of equity securities and a convertible security funding arrangement. As at December 31, 2016, the Corporation had $3,497,094 (2015 - $410,877) in cash. There are no sources of operating cash flows. The Corporation intends to use its existing cash resources prudently on basic project management and essential, non-discretionary, general corporate and operating expenditures while further capital is sought.

The Corporation continues to seek and evaluate various financing alternatives to address future development funding requirements, including for the advancement of both the Valleyfield Project and Blawn. The Corporation will require additional capital to fund the development and construction of the Valleyfield Project, the detailed engineering and development of Blawn and for working capital requirements. The Corporation is focused on obtaining the capital throughout 2017. The Corporation expects that this additional funding would fund the development of Blawn and the Valleyfield Project to the commencement of detailed engineering and beginning of the execution phase. Although the Corporation has been successful in its past fundraising activities, there are no assurances as to the success or timing of future fundraising efforts or as to the sufficiency of funds raised.

Selected Financial Information

	2016	2015	2014
Cash	**$ 3,497,094**	$ 410,877	$ 1,026,771
Working capital (deficit)[1]	**(3,381,728)**	(1,776,923)	696,901
Exploration and evaluation assets	**32,798,994**	32,563,219	26,465,738
Total assets	**38,254,106**	33,180,463	29,032,782
Non-current liabilities	**-**	226,976	570,770
Total liabilities	**7,183,412**	2,600,965	1,702,078
Total shareholders' equity	**31,070,694**	30,579,498	27,330,704

[1] "Working capital (deficit)" is a non-IFRS measure and is defined by the Corporation as current assets less current liabilities. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures presented by other companies. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for indicators prepared in accordance with IFRS.

Net (loss) income for the year		**(3,284,407)**		3,098,217		(1,906,502)
Net (loss) income per share	$	**(0.03)**	$	0.03	$	(0.02)
Weighted average shares outstanding		**119,908,231**		89,695,333		86,709,032

SOP Market Overview

SOP is a fertilizer of choice when the presence of chloride is undesirable. SOP sells at a premium over MOP due to its delivery of high analysis potassium nutrient (K2O content at min. 50%), low chloride formula, availability of sulphur and limited domestic SOP production. For the period of 2000-2016, SOP premium over MOP in North American markets has increased from approximately US$120/tonne to US$480/tonne.

The primary users of SOP are specialty crops, broadly defined as tree nuts, fruits and vegetable crop categories. The major demand market (and markets with significant production) of SOP are the US, Europe and China. SOP consumption in the US is largely constrained by the availability of product and substantially higher premium over MOP. There is currently one producer of SOP in the US, with the US market being historically underserved. Specialty crops are best suited for using SOP and account for approximately 40% of total crop revenues. SOP is a fertilizer of choice with tree nuts, fruits and vegetable growers in California.

Valleyfield Project

The Corporation intends to develop a SOP production facility in Valleyfield, Quebec. The project contemplates initially producing 40,000 tonnes per year of SOP utilizing Mannheim technology, and has the ability to be expanded by increments of 10,000 production units.

The Corporation's Valleyfield strategy is to become the first SOP producer in North America utilizing the proven Mannheim process. The Mannheim process is extensively used in Europe and Asia, and currently accounts for approximately 50% of the world's SOP supply. Valleyfield represents an exciting opportunity for Potash Ridge, as it has a low capital cost, near term production, and a robust rate of return. The process combines muriate of potash (potassium chloride) with sulphuric acid at high temperatures to produce SOP and by-product hydrochloric acid.

The city of Valleyfield is located 50km west of Montreal and contains the only self-managed port in Canada. The port is home to warehousing, storage, and handling services available to port customers. It is expected that the majority of the Corporation's SOP will be shipped through the port facilities. Rail lines from Canadian rail company CN run through Valleyfield, and US-based CSX Corporation, a leading rail-based transportation company, recently built a new depot in the city. The Corporation plans to utilize the existing inter-modal installations for efficient access to road, rail, and the St. Lawrence Seaway. Valleyfield is also home to many industrial companies, including several complimentary service providers, customers, and suppliers. Valleyfield is well suited because of its local supply of sulphuric acid and close proximity to customers for hydrochloric acid. Funding of hydrochloric acid equipment and a ten-year off-take agreement for hydrochloric acid was signed with Jones-Hamilton Co. The primary raw material, MOP, can be delivered from Saskatchewan to the planned production facility. SOP can be shipped through the St. Lawrence River from the port facilities, which are located within two kilometres of the planned production facility.

Blawn

The Corporation intends to continue to develop a surface mine at Blawn and to construct a processing plant large enough to produce an average of 232,000 tons per annum of a premium-priced SOP over a 46 year mine life. The Corporation is also evaluating the potential for marketability of Blawn's alumina rich residue material, currently not included in Blawn's economics contained within the Blawn Technical Report.

Results of Operations

Revenue

The Corporation did not generate any revenue during the years ended December 31, 2016 and 2015, as all of the operating activities of the Corporation were directed toward the exploration of Blawn and the development of the Valleyfield Project.

Expenses

Q4 2016 to Q4 2015

During the three months ended December 31, 2016, the Corporation incurred general and administrative costs of $526,179 (Q4 2015 - $125, 116). Salaries of management, employees, and director costs in the period were $252,075 (Q4 2015 – $36,091). As at December 31, 2016, the Corporation had three full-time employees (Q4 2015 – three full-time employees). Spending of $274,104 was related to other general and administrative expenses (Q4 2015 – $89,025).

Professional fees for the period were $132,249 (Q4 2015 - $51,820), which included legal and audit fees of $26,402 (Q4 2015 - $28,139) and consulting fees of $59,820 (Q4 2015 - $7,951). The increase in spending for the period occurred primarily due to higher consulting fees. Current period spending on professional fees was in line with the Corporation's budget estimates.

Share-based compensation expense of $112,325 (Q4 2015 - $54,692) was associated with previously granted but unvested stock options.

For Q4 2016, the Corporation recorded a foreign exchange gain of $751,861 (Q4 2015 - $1,171,304) due to the weakening of the Canadian dollar relative to the US dollar.

The Corporation recognized a net comprehensive loss of 77,289 for the fourth quarter of 2016 (Q4 2015 – comprehensive income of $762,718) due to higher expenses and lower foreign exchange gains when compared to Q4 2015.

Fiscal 2016 to Fiscal 2015

During 2016, general and administrative costs were $1,453,711 (2015 - $1,634,883). The decrease of

$181,172 reflects the continued focus on cost reduction which commenced at the beginning of 2015. As at December 31, 2016 the Corporation had three full-time employees which is consistent with 2015 levels. Salaries and directors fees totaled $493,348 in 2016 (2015 - $660,194). Other general and administrative expenses were $960,363 (2015 - $974,689). Other general and administrative expenses decreased year on year by $14,326 due to the Corporation spending less on travel and other corporate expenses.

During 2016, the Corporation incurred professional fees of $449,918 (2015 - $248,563), including legal and audit fees of $140,754 (2015 - $106,157) and consulting fees of $150,214 (2015 - $42,254). The increase in spending for the period occurred primarily due to higher audit and legal fees in 2016. Current period spending on professional fees was in line with the Corporation's budget estimates.

For 2016, share-based compensation was $452,526 (2015 - $44,340) which was associated with the vesting of stock options. During 2016, the Corporation granted 2,075,000 stock options (2015 – 4,000,000).

Interest income of $2,709 was earned for the year ended December 31, 2016 (2015 - $718) on the Corporation's cash and cash equivalents.

During the year ended December 31, 2016, the Corporation incurred a foreign exchange loss of $953,289 (2015 – gain of $5,320,489) which was the result of a strengthening of the Canadian dollar, the Corporation's reporting currency, against the US dollar.

As a result of the above, the Corporation recognized a net comprehensive loss of $3,189,841 for the year ended December 31, 2016 (2015 – comprehensive income of $2,643,029).

Statement of Financial Position

Exploration and Evaluation Assets

In accordance with the Corporation's accounting policies, expenditures incurred on exploration and evaluation of Blawn have been capitalized and recorded as exploration and evaluation assets. A continuity schedule and description of the exploration and evaluation costs incurred and capitalized cumulatively as at December 31, 2016, is presented in the table below:

Blawn	January 1, 2016	Additions	Exchange Differences	**December 31, 2016**
Drilling	$ 6,871,662	$ -	$ (205,034)	$ **6,666,628**
Pre-feasibility study	6,416,996	720,665	(182,051)	**6,955,610**
Professional and labour	5,355,163	237,223	(156,696)	**5,435,690**
Employee salary and benefits	5,255,741	88,684	(155,675)	**5,188,750**
Preliminary economic assessment	3,775,670	-	(112,671)	**3,662,999**
Mineral leases	2,506,363	40,603	(69,655)	**2,477,311**
Share-based compensation	1,050,414	-	-	**1,050,414**
Transportation	414,420	-	(12,366)	**402,054**
Equipment rentals	244,939	-	(7,308)	**237,631**
Feasibility study	243,562	14,840	(7,074)	**251,328**
Data acquisition	214,765	(25,394)	(6,740)	**182,631**
Field expenditures	140,171	358	(4,178)	**136,351**

Other	73,353	79,392	(1,148)	**151,597**
Total	$ 32,563,219	$ 1,156,371	$ (920,596)	$ **32,798,994**

During 2016, the Corporation incurred $1,156,371 in capitalized expenditures on exploration and evaluation assets. These expenditures were offset by foreign exchange translation losses of $920,596 on prior and current period expenditures. Expenditures are recorded in the US$ functional currency of the subsidiary that holds the majority of these assets (Utah Alunite Corporation) and are translated to the C$ presentation currency of the Corporation at each period end at the spot foreign exchange rate. During the year ended December 31, 2016, the main expenditure activities on exploration and evaluation assets were the updated pre-feasibility study ($720,665), professional services ($237,223) and employee salary and benefits ($88,684).

Other Liabilities

On March 24, 2014, the Corporation exercised the Lease Option in the Exploration and Option Agreement to commence the Blawn Mountain Mining Lease (the "Mining Lease"). The Corporation made an initial payment to SITLA of US$200,000 and entered into an arrangement whereby it would make further payments, as follows:

(i)	March 31, 2015	US$164,000
(ii)	August 31, 2015	US$164,000
(iii)	March 31, 2016	US$164,000
(iv)	August 31, 2016	US$164,000
(v)	March 31, 2017	US$164,000

The Corporation classified the Mining Lease as "other financial liabilities" and recorded it at fair value on initial recognition. The Corporation has agreed to pay a finance charge of 5.75% per annum on the outstanding balance during this three year period. Also under the terms of the Mining Lease, a minimum annual royalty payment of US$46,200 and an annual rental payment of US$11,500 is due to SITLA. The first annual royalty and rental payments were made on March 24, 2014.

In June 2015, the Corporation entered into a modification of the Mining Lease Agreement with SITLA. The modification cures the event of default under the Mining Lease that occurred on March 31, 2015. Under the terms of the modification, SITLA has agreed to forbear from exercising its rights and remedies resulting from Potash Ridge's failure to make lease and minimum royalty payments to SITLA under the terms of the Mining Lease. The forbearance period is from March 31, 2015 to April 1, 2017. On March 16, 2017, SITLA agreed to extend the forbearance period from April 1, 2017 to June 30, 2017. On March 24, 2017, the Corporation made a US$500,000 payment to SITLA.

The Corporation was obligated to pay accrued and unpaid interest by March 31, 2016 or when it raised US $1.5 million in new funds for the development of Blawn, whichever arose first. Once the Corporation raises US$3.0 million or more of new funds for the development of Blawn, then all outstanding amounts currently due under the Mining Lease, plus accrued interest, will become due.

The Corporation will pay interest to SITLA on unpaid lease and minimum royalty payments, which will accrue annually at a rate of SITLA's published prime rate plus two percent (currently equivalent to 5.25%) or 6.0%, whichever is greater, with the first interest payment having been due on March 31, 2016.

The Corporation made the required accrued interest payments to SITLA on March 30, 2016 and August 30, 2016, and is current on all lease obligations.

Income Taxes

Since inception, the Corporation has not incurred any current income tax expenses. Due to the nature of its exploration and development activities, the Corporation does not expect to incur current income tax expenses for the foreseeable future.

As at December 31, 2016, the Corporation has available Canadian tax losses of $16,279,668 (2015 - $10,128,043), available US tax losses of $16,218,670 (2015 - $8,068,325) and other deductible temporary differences of $194,849 (2015 - $649,963). The Corporation has not recognized the benefits of these tax losses or other deductible temporary differences in the 2016 audited consolidated financial statements as the recoverability of these future tax benefits cannot be assured.

Financial Position, Liquidity and Capital Resources

Cash Resources and Liquidity

At December 31, 2016, the Corporation had a working capital deficit[2] of $3,381,728 (2015 – $1,776,923). Cash was $3,497,094 (2015 - $410,877) and current assets totaled $3,801,684 (2015 - $597,066).

The Corporation intends to use its existing cash resources prudently on basic project management and on essential non-discretionary general corporate and operating expenditures while further capital is sought. The Corporation continues to seek and evaluate various financing alternatives to address future development funding requirements. The Corporation will require financing to fund the development of Blawn and the Valleyfield Project and for nearer term working capital requirements. The Corporation is targeting to complete this financing in the coming months. Although the Corporation has been successful in its past fundraising activities, there are no assurances as to the success or timing of future fundraising efforts or as to the sufficiency of funds raised. The Corporation is managing its existing cash resources prudently. The Corporation does not generate any operating cash flows and is reliant on external sources of funding. An inability to raise additional financing may materially impact the future assessment of the Corporation to continue as a going concern.

Convertible Security

On December 16, 2016, the Corporation announced a convertible security funding agreement (the "Lind Agreement") with Lind Asset Management VIII, LLC, managed by The Lind Partners, LLC, a New York-based institutional fund manager (together, "Lind") for the issue of convertible securities. The Lind Agreement provides for up to US$11,757,000 by way of two separate convertible securities. On January 4, 2017, the Corporation closed the first convertible security (the "First Tranche") of US$2,640,000, of which US$2,250,000 was received on December 28, 2016. The First Tranche has a twenty-four month

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term from date of issuance, and interest is prepaid and added to its principle amount; accordingly, the initial face value of the First Tranche is US$3,168,000, and yield of the First Tranche (if held, unconverted, to maturity) will be 10% per annum, or $528,000. Lind has the option to increase the First Tranche by up to US$871,000 at any time. In addition, the Corporation granted Lind 6,511,326 common share purchase warrants ("Lind Warrants") with each Lind Warrant entitling Lind to purchase one additional Common Share at a price of C$0.50 per Common Share for a five year period.

The First Tranche is convertible into Common Shares at a conversion price equal to 85% of the volume weighted average trading price of the Common Shares (In Canadian dollars) for the five consecutive trading days immediately prior to the date on which Lind provides the Corporation with notice of its intention to convert an amount of the First Tranche. The First Tranche was completed under private placement rules of the TSX with a four-month plus one day hold period. The Corporation has the right to buy-back the First Tranche at any time for a 5% premium, or for no premium during the first six months following the closing.

The First Tranche is subject to customary events of default, which if they occur, make the First Tranche immediately payable and includes if, after the first four months, the Corporation's cash balance is less than C$1,000,000 or its market capitalization falls below C$25,000,000.

Subject to certain conditions, the Lind Agreement also provides for the issuance of a second convertible security on mutual agreement of the Corporation and Lind, in which Lind may fund up to another US$6,200,000. Lind may also increase the funding under the second convertible security by up to US$2,046,000 million.

Operating Cash-Flow

Cash used in operating activities was $468,955 for the fourth quarter of 2016 (Q4 2015 –$375,151) due to changes in non-cash working capital.

For 2016, cash used in operating activities was $1,822,893 (2015 - $368,278) due to changes in non-cash working capital items.

Investing Activities

Cash used in investing activities for the fourth quarter of 2016 was $222,335 (Q4 2015 – cash generated of $144,688) due to higher exploration and evaluation expenses related to updating a technical report on Blawn and technical and engineering work completed on the Valleyfield Project.

For 2016, cash used in investing activities was $1,380,448 (2015 - $722,584) due to an increased level of spending on exploration activities at Blawn and the development of the Valleyfield Project.

Financing Activities

During 2016, the Corporation closed two non-brokered private placements issuing 17,266,663 units (2015 – 20,000,000 units) in aggregate, with each unit consisting of one common share and one half of a purchase share warrant. Net proceeds from the financings were $2,961,396 (2015 - $549,380) after deducting share issue costs of $188,604 (2015 - $50,620).

On January 4, 2017, the Corporation closed the First Tranche under the Lind Agreement. Lind advanced the Corporation US$2,225,000, on December 28, 2016, with the balance of the First Tranche being funded upon closing.

During 2016, 333,000 stock options and 1,932,443 purchase share warrants were exercised, generating net proceeds of $55,320 (2015 - $Nil) and $211,795 (2015 - $Nil), respectively.

Outstanding Share Data

Potash Ridge is authorized to issue an unlimited number of common shares and 50,000,000 non-voting shares. A detailed description of the rights, privileges, restrictions and conditions attached to the authorized shares is included in our Annual Information Form for the year ended December 31, 2016, a copy of which can be found on SEDAR at www.sedar.com.

As at March 29, 2017, the number of common shares outstanding or issuable pursuant to other outstanding securities is as follows:

Common Shares	Number
Outstanding	126,557,805
Issuable upon the exercise of warrants	18,553,642
Issuable upon the exercise of options	10,575,000
Diluted common shares	155,686,447

As at December 31, 2016, the Corporation did not have any non-voting shares outstanding (2015 – 5,055,254). On March 16, 2016, the holder of 5,055,254 non-voting shares exercised their right to convert their non-voting shares into common shares.

Commitments and Contingencies

The future minimum payments under various lease arrangements and other contractual obligations are as follows, as at December 31, 2016:

	Less than 1 year	1 - 5 years	After 5 years	Total
Mining Lease	$ 77,541	$ 403,213	$ 294,656	$ 775,410
Exploration leases	7,820	20,812	5,203	33,835
Operating leases	184,316	29,141	-	213,457
Total	**$ 269,677**	**$ 453,166**	**$ 299,859**	**$ 1,022,702**

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

Transactions with Related Parties

The Corporation's related parties, as defined by IASB 24 "Related Party Disclosures", include the Corporation's subsidiaries (Utah Alunite Corporation and Valleyfield Fertilizer Corporation), executive and non-executive directors, senior officers, and entities controlled or jointly-controlled by the Corporation's directors or senior officers. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All related party transactions entered into by the Corporation have been approved by the Board of Directors.

Transactions with related parties were as follows:

		2016		2015
Compensation and fees	$	573,224	$	479,434
Share-based awards		233,080		47,855
	$	796,304	$	527,289

Critical Accounting Estimates

The preparation of the Financial Statements in accordance with IFRS requires the Corporation to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the Financial Statements.

In particular, the areas which require management to make significant judgments, estimates and assumptions as the following:

Exploration and evaluation expenditures

Exploration and evaluation expenditures such as, but not limited to, the acquisition and carrying costs of rights to explore (including the Exploration Agreement and Mining Lease), topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies and other costs directly attributable to exploration and evaluation of Blawn are capitalized. Exploration and evaluation expenditures are carried at cost less any assessed impairment losses.

Where the Corporation is incurring costs to prospect or where it is preparing for or applying for prospecting rights, the Corporation expenses those costs as incurred.

Impairment of long-term assets

Assessment of impairment of the Corporation's exploration and evaluation assets requires the use of judgments, estimates and assumptions when assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test on the Corporation's exploration and evaluation assets and/or property, plant and equipment.

Share based compensation and subscriber warrants

Management estimated the fair value of convertible securities such as warrants and options using the Black Scholes option pricing valuation model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. Note 13 of the Financial Statements describes the significant assumptions applied to these areas of estimation.

New Accounting Standards Issued But Not Yet Effective

IFRS 9, Financial Instruments

On July 24, 2014, the IASB published the final version of IFRS 9 *"Financial Instruments"*, ("IFRS 9") which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *"Financial Instruments: Recognition and Measurement"*. IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets by adding a new fair value through comprehensive income category for certain debt instruments and provides additional guidance on ow to apply the business model and contractual cash-flow characteristics test. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively.

Internal Control Over Financial Reporting and Disclosure Controls and Procedures

Management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for designing, establishing, and maintaining a system of internal controls over financial reporting ("ICFR") to provide reasonable assurance that all information prepared by the Corporation for public disclosure is reliable and timely. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The Corporation's ICFR includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the Corporation's Financial Statements. Due to its inherent limitations, ICFR and disclosure controls and procedures may not prevent or detect all misstatements.

The CEO and CFO have evaluated whether there were changes to ICFR during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, ICFR. Based on this assessment and evaluation, there have been no material changes in the Corporation's ICFR during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, ICFR.

The Corporation's CEO and CFO have concluded that ICFR are appropriately designed and are operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Disclosure controls and procedures ("DC&P") have been designed to provide reasonable assurance that all material information related to the Corporation is identified and communicated on a timely basis. Management of the Corporation, under the supervision of the CEO and the CFO, is responsible for the design and operation of DC&P. There have been no changes in the Corporation's DC&P during the year ended December 31, 2016.

The Corporation's CEO and CFO have concluded that DC&P are appropriately designed and are operating effectively to provide reasonable assurance that all material information related to the Corporation is identified and communicated on a timely basis.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws which reflect management's expectations regarding future growth, results of operations, performance and business prospects of the Corporation. This forward-looking information may include statements that are predictive in nature, or that depend upon or refer to future events or conditions, and can generally be identified by words such as "may", "will", "expects", "anticipates", "intends", "plans", "believes", "estimates", "guidance" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to, the future financial or operating performance of the Corporation and its subsidiaries and its mineral projects; the anticipated results of exploration activities; the estimation of mineral resources; the realization of mineral resource estimates; capital, development, operating and exploration expenditures; costs and timing of the development of the Corporation's mineral projects; timing of future exploration; requirements for additional capital; climate conditions; government regulation of mining operations; anticipated results of economic and technical studies; environmental matters; receipt of the necessary permits, approvals and licenses in connection with exploration and development activities; appropriation of the necessary water rights and water sources; changes in commodity prices; recruiting and retaining key employees; construction delays; litigation; competition in the mining industry; reclamation expenses; reliability of historical exploration work; reliance on historical information acquired by the Corporation; optimization of technology to be employed by the Corporation; title disputes or claims, dilution to the Common Shares and the limitations of insurance coverage and other factors described under the heading "Risk Factors" in the Corporation's AIF to which reference should be made.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein. Such assumptions include, but are not limited to, the following: that general business, economic, competitive, political and social uncertainties remain favourable; that agriculture fertilizers are expected to be a major driver in increasing yields to address demand for premium produce, such as fruits and vegetables, as well as diversified protein rich diets necessitating grains and other animal feed; that actual results of exploration activities justify further studies and development of the Corporation's mineral projects; that the future prices of minerals remain at levels that justify the exploration and future development and operation of the Corporation's mineral projects; that there is no failure of plant, equipment or processes to operate as anticipated; that accidents, labour disputes and other risks of the mining industry do not occur; that there are no unanticipated delays in obtaining governmental approvals or financing or in the completion of future studies, development or construction activities; that the actual costs of exploration and studies remain within budgeted amounts; that regulatory and legal requirements required for exploration or development activities do not change in any adverse manner; that input cost assumptions do not change in any adverse manner, as well as those factors discussed in the section entitled "Risk Factors" in the Corporation's AIF. Accordingly, readers are cautioned not to place undue reliance on such statements.

All forward-looking information herein is qualified by these cautionary statements. Forward-looking information contained herein is made as of the date of this MD&A and the Corporation disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law.

POTASH RIDGE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Potash Ridge Corporation (the "Corporation") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate and timely and comprehensive financial information is prepared. However, any system of internal controls over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Board of Directors.

March 30, 2017

Independent Auditor's Report

To the Shareholders of
Potash Ridge Corporation

We have audited the accompanying consolidated financial statements of Potash Ridge Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of cash flows, and the consolidated statements of changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Potash Ridge Corporation and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in these consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainty that may cast significant doubt about Potash Ridge Corporation's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Potash Ridge Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2016	As at December 31, 2015
ASSETS		
Cash (note 4)	**$ 3,497,094**	$ 410,877
Restricted cash equivalents (note 5)	**87,296**	89,673
Receivables	**96,888**	24,308
Other current assets	**120,406**	72,208
Current assets	**3,801,684**	597,066
Exploration and evaluation assets (note 6)	**32,798,994**	32,563,219
Property, plant and equipment (note 7)	**1,653,428**	20,178
Total assets	**$ 38,254,106**	$ 33,180,463
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities (note 8)	**$ 2,734,408**	$ 1,273,515
Other current liabilities (note 9)	**1,427,929**	1,100,474
Advance payable (note 10)	**3,021,075**	-
Current liabilities	**7,183,412**	2,373,989
Other non-current liabilities (note 9)	**-**	226,976
Total liabilities	**7,183,412**	2,600,965
Shareholders' equity (note 13)		
Capital stock	**35,420,268**	33,828,074
Contributed surplus	**8,711,485**	6,622,642
Deficit	**(12,527,997)**	(9,243,590)
Accumulated other comprehensive loss	**(533,062)**	(627,628)
Total shareholders' equity	**31,070,694**	30,579,498
Total liabilities and shareholders' equity	**$ 38,254,106**	$ 33,180,463

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)
Subsequent events (note 18)

Approved on behalf of the Board:

"Guy Bentinck", Director

"Chris Reid", Director

Potash Ridge Corporation

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Year ended December 31, 2016	2015
Expenses		
General and administrative expenses (note 12)	**$ 1,453,711**	$ 1,634,883
Professional fees	**449,918**	248,563
Share-based compensation (note 13(iii))	**452,526**	44,340
Depreciation	**-**	105,291
	(2,356,155)	(2,033,077)
Other Items		
Interest income	**2,709**	718
Other income	**22,328**	-
Loss on disposal of property, plant and equipment	**-**	(189,913)
Foreign exchange (loss) gain	**(953,289)**	5,320,489
Net (loss) income for the year	**(3,284,407)**	3,098,217
Other comprehensive income (loss)		
Foreign currency translation adjustment	**94,566**	(455,188)
Comprehensive (loss) income for the year	**$ (3,189,841)**	$ 2,643,029
Basic net (loss) income per share (note 14)	**$ (0.03)**	$ 0.03
Diluted net (loss) income per share (note 14)	**$ (0.03)**	$ 0.03
Weighted average number of common shares outstanding - Basic	**119,908,231**	88,695,333
Weighted average number of common shares outstanding - Diluted	**119,908,231**	89,475,695

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

Potash Ridge Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
Operating activities		
Net (loss) income for the year	**$ (3,284,407)**	$ 3,098,217
Items not involving cash:		
Depreciation	**-**	105,291
Share-based compensation	**452,526**	44,340
Foreign exchange loss (gain)	**1,105,293**	(5,240,627)
Loss on disposal of property, plant and equipment	**-**	189,913
Changes in non-cash working capital items:		
(Increase) decrease in receivables	**(72,580)**	11,527
(Increase) decrease in other current assets	**(48,198)**	101,310
Decrease in operating restricted cash	**2,377**	782,100
Decrease in other non-current assets working capital	**-**	29,209
Increase in accounts payable and accrued liabilities	**22,096**	510,442
Net cash used in operating activities	**(1,822,893)**	(368,278)
Investing activities		
Acquisition of property, plant and equipment	**(557,569)**	(12,178)
Proceeds from sale of property, plant and equipment	**-**	150,604
Exploration and evaluation expenditures	**(822,879)**	(861,010)
Net cash used in investing activities	**(1,380,448)**	(722,584)
Financing activities		
Issuance of common share and warrant units, net of costs	**2,961,396**	549,380
Proceeds from the exercise of stock options	**55,320**	-
Proceed from the exercise of warrants	**136,666**	-
Proceeds from the exercise of finders warrants	**75,129**	-
Advance on convertible security (note 10 and 18)	**3,021,075**	-
Net cash provided by financing activities	**6,249,586**	549,380
Net change in cash for the year	**3,046,245**	(541,482)
Effect of foreign exchange rate changes on cash and cash equivalents	**39,972**	(74,412)
Cash, beginning of year	**410,877**	1,026,771
Cash, end of year	**$ 3,497,094**	$ 410,877

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

Potash Ridge Corporation

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Voting Shares	Number of Non-voting Shares	Share Capital (Note13)	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2014	**81,653,778**	**5,055,254**	**$ 33,428,933**	**$ 6,416,018**	**$ (12,341,807)**	**$ (172,440)**	**$ 27,330,704**
Shares issued for Valleyfield Project (note 7)	200,000	-	8,000	-	-	-	8,000
Private placement	20,000,000	-	600,000	-	-	-	600,000
Purchase share warrants	-	-	(140,000)	140,000	-	-	-
Cost of issue - Cash	-		(50,620)	-	-	-	(50,620)
Cost of issue - finder warrants	-		(18,239)	18,239	-	-	-
Share-based compensation (note 13(iii))	-	-	-	48,385	-	-	48,385
Effect of foreign currency translation	-	-	-	-	-	(455,188)	(455,188)
Net income for the year	-	-	-	-	3,098,217	-	3,098,217
Balance, December 31, 2015	**101,853,778**	**5,055,254**	**$ 33,828,074**	**$ 6,622,642**	**$ (9,243,590)**	**$ (627,628)**	**$ 30,579,498**
Conversion of non-voting shares	5,055,254	(5,055,254)	-	-	-	-	-
Private placements	17,266,663	-	3,150,000	-	-	-	3,150,000
Purchase share warrants	-	-	(1,829,420)	1,829,420	-	-	-
Cost of issue - Cash	-	-	(80,696)	(107,908)	-	-	(188,604)
Cost of issue - finder warrants	-	-	(39,867)	39,867	-	-	-
Shares issued for the exercise of stock options	333,000	-	102,108	(46,788)	-	-	55,320
Shares issued for the exercise of warrants	993,335	-	201,792	(65,126)	-	-	136,666
Shares issued for the exercise of finders warrants	939,108	-	88,277	(13,148)	-	-	75,129
Share-based compensation (note 13(iii))	-	-	-	452,526	-	-	452,526
Effect of foreign currency translation	-	-	-	-	-	94,566	94,566
Net loss for the year	-	-	-	-	(3,284,407)	-	(3,284,407)
Balance, December 31, 2016	**126,441,138**	**-**	**$ 35,420,268**	**$ 8,711,485**	**$ (12,527,997)**	**$ (533,062)**	**$ 31,070,694**

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

1. Nature of operations and going concern

Potash Ridge Corporation (the “Corporation” or "Potash Ridge") is a corporation operating under the Ontario Business Corporation Act. Its registered office is located in Toronto, Canada at 82 Richmond Street East, Suite 200, Toronto, Ontario, M5C 1P1. The Common Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “PRK”.

The principal activity of the Corporation is to develop projects focused on the production of sulphate of potash (“SOP”). Located in Valleyfield, Quebec, the Valleyfield Project intends to utilize well-known Mannheim technology to produce SOP. The development of the Blawn Mountain Project ("Blawn") in Utah involves the exploration, development and production of mineral resources and is currently focused on the exploration of alunite in order to produce SOP, co-product sulphuric acid and, potentially, alumina.

The Corporation is an exploration and development stage entity and has not yet achieved profitable operations. The Corporation is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to, the challenges of securing adequate capital to fund its activities, operational risks inherent in the mining and fertilizer industries, and global economic and commodity price volatility. The underlying value of Blawn and the Valleyfield Project, as well as, the recoverability of the related capitalized costs are entirely dependent on the Corporation’s ability to successfully develop Blawn and the Valleyfield Project by, among other things, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of its mineral properties or projects.

The Corporation earned a comprehensive loss for the year ended December 31, 2016 of $3,189,841 (2015 comprehensive income of $2,643,029), and has reported an accumulated deficit of $12,527,997 as at December 31, 2016 (2015 - $9,243,590). The Corporation’s sole source of funding has predominantly been the issuance of equity securities for cash. As at December 31, 2016, the Corporation had $3,497,094 in cash (2015 - $410,877) to settle current liabilities of $7,183,412 (2015 - $2,373,989). The Corporation intends to use its existing cash resources and the proceeds of the Lind Agreement (See Note 18(i) – Subsequent events) prudently to advance Blawn and the Valleyfield Project as well as on basic project management and on essential non-discretionary general corporate and operating expenditures. Although the Corporation has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in future fundraisings.

These circumstances, along with other risks relevant to exploration companies, such as continuing losses and cash outflows from operations, result in material uncertainty which lends significant doubt as to the ability of the Corporation to settle current obligations and meet commitments as they become due and, accordingly, the appropriateness ultimately of the use of the accounting principles applicable to a going concern.

These consolidated financial statements have been prepared under the assumption that the Corporation will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future.

These consolidated financial statements do not give effect to adjustments to the carrying values of assets, liabilities and the reported expenses and classifications that would be necessary should the Corporation be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Significant accounting policies

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") under the historical cost convention. IFRS comprise IFRSs, International Accounting Standards ("IAS"s) and interpretations issued by the IFRS Interpretations Committee ("IFRIC"s) and the former Standing Interpretations Committee ("SIC"s). These consolidated financial statements were approved for issuance by the Board of Directors on March 30, 2017.

b) Principles of consolidation

The consolidated financial statements include the accounts of Potash Ridge and its wholly-owned subsidiaries (its "subsidiaries") (together the "Corporation"). All intercompany accounts, transactions, income and expenses, and profits or losses have been eliminated on consolidation. The Corporation consolidates subsidiaries where it has the ability to exercise control. Control of an investee is defined to exist when the Corporation is exposed to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The consolidated financial statements include all assets, liabilities, revenue, expenses and cash-flows of Potash Ridge and its subsidiaries after eliminating intercompany transactions.

The principal subsidiaries of Potash Ridge and their geographic locations at December 31, 2016 were as follows:

Entity	Jurisdiction	Economic Interest
Utah Alunite Corporation	Delaware	100%
Valleyfield Fertilizer Corporation	Quebec	100%

All the above entities are classified as subsidiaries of Potash Ridge. There are no significant restrictions on the Corporation's ability to access or use the assets or settle liabilities of its subsidiaries.

c) Currency translation

(i) Functional and presentation currency

The functional currency for each entity within the Potash Ridge group is the currency of the primary economic environment in which it operates.

These consolidated financial statements are expressed in Canadian dollars, which is the functional currency of Potash Ridge and Valleyfield Fertilizer Corporation. Utah Alunite Corporation has a United States dollar functional currency. References herein to US$ are to United States dollars.

2. Significant accounting policies (continued)

c) Currency translation (continued)

(ii) Foreign currencies

Foreign currency transactions are translated into the functional currency of the respective subsidiary, using the exchange rate prevailing at the date of the transaction (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at the date of the consolidated statements of financial position are recognized in net income (loss). Non-monetary items measured at historical cost are translated into the functional currency using the exchange rate at the date of the transaction.

The results and financial position of the subsidiaries that have a functional currency different from the presentation currency are translated into the Corporation's presentation currency, as follows:

- Assets and liabilities for each subsidiary are translated at the closing exchange rate at the date of the statement of financial position;
- Income and expenses for each subsidiary are translated at the average exchange rate during the period; and
- All resulting exchange differences are charged/credited to the currency translation adjustment in other comprehensive income (Ioss).

d) Financial instruments

Financial assets and financial liabilities are recognized on the Corporation's statement of financial position when the Corporation has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. The Corporation's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable, accrued liabilities and debt. Financial instruments are recognized initially at fair value.

- *Cash, cash equivalents and restricted cash*

Cash, cash equivalents and restricted cash comprise cash on hand, deposits held with banks and other financial institutions, and other short-term highly liquid investments with maturities of three months or less. Cash, cash equivalents and restricted cash are classified as loans and receivables.

- *Receivable*

Receivables are classified as loans and receivables and are initially recorded at fair value of the amount expected to be received. Receivables are subsequently measured at amortised cost less any provision for impairment.

- *Financial liabilities*

Financial liabilities, including accounts payable, accrued liabilities and debt, are classified as other financial liabilities and measured at amortized cost using the effective interest method.

2. Significant accounting policies (continued)

d) Financial instruments (continued)

- *Impairment of financial assets*

  The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Corporation invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.
  Impairment losses are recognized in net income (loss). For financial assets measured at amortized cost, any reversal of the impairment is recognized in net income (loss) in subsequent periods if the fair value of the financial asset increases and such increase can be objectively related to an event occurring after the impairment loss was recognized in net income (loss).

e) Exploration and evaluation expenditures

Exploration and evaluation expenditures related to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies for extracting alunite and other costs directly attributable to exploration and development projects are capitalized. Mineral rights for exploration and evaluation are carried at cost less any accumulated impairment losses.

Where the Corporation is incurring costs to prospect or where it is preparing for or applying for prospecting rights, the Corporation expenses those costs as incurred.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The Corporation provides depreciation of its property plant and equipment at the following annual rates:

Office equipment	Straight line 3-5 years
Computer equipment	Straight line 3 years
Motor vehicles	Straight line 5 years
Leasehold improvements	Term of the lease
Construction-in-progress - Valleyfield Project	No depreciation until completed and ready for intended use

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction-in-progress includes costs associated with the development of the Valleyfield Project, such as engineering, scoping study, consulting and technical support expenses.

g) Impairment of non-financial assets

At each reporting period, the Corporation assesses changes to facts and circumstances and determines if there is an indication that the carrying amount of an asset may exceed its recoverable amount.

Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset is made.

2. Significant accounting policies (continued)

g) Impairment of non-financial assets (continued)

The recoverable amount is the higher of the fair value less costs of disposal and value in use:

- Fair value less costs of disposal ("FVLCD") is the amount obtainable from the sale of the asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties less costs of disposal.

- Value in use ("VIU") is determined as the present value of the estimated future pre-tax cash flows expected to arise from the continued use of the asset or cash generating unit in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use calculations do not take into account future development.

If the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in the income statement. Previously recognized impairment losses are assessed each reporting period for any indications that the losses have decreased or no longer exist. Such an impairment loss is reversed, in full or in part, if there has been a change in the estimates used to determine the recoverable amount, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment losses had been recognized in previous years.

Exploration and evaluation assets are assessed for impairment whenever indicators of impairment exist in accordance with IFRS 6.

h) Stock options

The Corporation may issue equity-settled share-based payments to directors, officers, employees and consultants under the terms of its stock option plan. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of equity-settled share-based payments is expensed over the expected service period with a corresponding entry to contributed surplus and is based on the Corporation's estimate of stock options that will ultimately vest.

The fair value is measured by use of the Black-Scholes option pricing valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations. Expected volatility is estimated by considering historic average share price volatility. Any consideration paid or received upon the exercise of the share-based award is credited to share capital.

i) Income taxes

The income tax expense or recovery represents the sum of current and deferred income taxes.

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carryforwards.

Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. Significant accounting policies (continued)

i) Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The effect on future tax assets and liabilities of a change in tax rates is generally recognized in income in the period that includes the date of enactment or substantive enactment. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

j) Capital stock

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Subscriber warrants are classified within contributed surplus. Where common shares and subscriber warrants are offered together (as a “unit”), the Corporation allocates the consideration received per unit, net of any issuance costs, to the common shares and subscriber warrants based on their relative fair values. The fair value of warrants is measured using the Black-Scholes option pricing valuation model and the fair value of the common shares is measured using the publicly quoted price on the Toronto Stock Exchange (“TSX”).

Costs directly identifiable with the raising of capital are charged against the related capital account. Costs related to securities not yet but likely to be issued are presented as a prepaid asset until the issuance of the securities, to which the costs relate, at which time the costs are charged against the related capital account or charged to earnings if the securities are not issued. Costs which are incurred as part of an actual or proposed listing of existing shares are expensed as incurred.

k) Net income (loss) per share

The Corporation presents basic and diluted net income (loss) per share data for its common shares, calculated by dividing the net income (loss) attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share does not adjust the net income (loss) attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

l) Segment reporting

The Corporation manages its business under a single operating segment, consisting of exploration and evaluation activities. All the Corporation’s assets and expenses are attributable to this single operating segment.

2. Significant accounting policies (continued)

New Accounting Standards Issued Not Yet Effective

IFRS 9, Financial Instruments

On July 24, 2014, the IASB published the final version of IFRS 9 *"Financial Instruments"*, ("IFRS 9") which brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *"Financial Instruments: Recognition and Measurement*". IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets by adding a new fair value through comprehensive income category for certain debt instruments and provides additional guidance on how to apply the business model and contractual cash-flow characteristics test. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 "Leases" ("IFRS 16"), which requires lessees to recognize assets and liabilities for most leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively.

The Corporation is currently assessing the impact of IFRS 9 and IFRS 16 on its consolidated financial statements.

3. Significant judgments, estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Corporation to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the consolidated financial statements.

The Corporation applied judgment in the determination of the types of expenses that are capitalized as exploration and evaluation assets as described in the accounting policy in note 2(e).

The Corporation undertakes a review at each reporting period to evaluate whether any indications of potential impairment may exist relating to exploration and evaluation assets, as well as, property, plant and equipment. Potential changes in facts or circumstances considered for further impairment analysis may include:

i) whether the period for which the Corporation has the right to operate has expired during the period or will expire in the near future, and is not expected to be renewed;
ii) substantive expenditure on further activities to advance the project is neither budgeted nor planned;
iii) exploration and evaluation activities to date have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue the project's advancement;
iv) sufficient data exists to indicate that, although a development of the project is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale of the project;
v) technical information uncovered that questions the viability of achieving commercially acceptable standards;
vi) lack of market demand for SOP; or
vii) significant change in supply of SOP market.

Where any such indicator of potential impairment is identified, a formal estimate of the recoverable amount of the asset is made.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

3. Significant judgments, estimates and assumptions (continued)

The Corporation estimates the fair value of convertible securities such as warrants and options using the Black-Scholes option-pricing valuation model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. See accounting policies in note 2(h) and 2(j) as well as notes 13(ii) and 13(iii) for further details of significant assumptions applied to these areas of estimation.

4. Cash

As at December 31, 2016 and 2015, cash was primarily held in interest-bearing deposits.

	As at December 31, 2016	As at December 31, 2015
Canadian dollar denominated current accounts	**$ 388,804**	$ 403,603
US dollar denominated current accounts	**3,108,290**	7,274
	$ 3,497,094	$ 410,877

5. Restricted cash equivalents

The Corporation has set aside $87,296 (2015 - $89,673) comprising reclamation surety bonds and collateral requirements. The funds relating to the reclamation surety bonds are to be released upon the Corporation meeting all of its commitments to SITLA relating to its on-site project activities and have therefore been classified as current assets on the consolidated statements of financial position according to management's estimated timing of completing such commitments.

6. Exploration and evaluation assets

The following is the reconciliation of exploration and evaluation expenditures related to Blawn for the year ended December 31, 2016:

	Opening balance December 31, 2015	Additions	Exchange difference	Balance December 31, 2016
Blawn				
Drilling	$ 6,871,662	$ -	$ (205,034)	**$ 6,666,628**
Pre-feasibility study	6,416,996	720,665	(182,051)	**6,955,610**
Professional and labour	5,355,163	237,223	(156,696)	**5,435,690**
Employee salary and benefits	5,255,741	88,684	(155,675)	**5,188,750**
Preliminary economic assessment	3,775,670	-	(112,671)	**3,662,999**
Mineral leases	2,506,363	40,603	(69,655)	**2,477,311**
Employee share based compensation (non-cash)	1,050,414	-	-	**1,050,414**
Transportation	414,420	-	(12,366)	**402,054**
Equipment rentals	244,939	-	(7,308)	**237,631**
Feasibility study	243,562	14,840	(7,074)	**251,328**
Data acquisition	214,765	(25,394)	(6,740)	**182,631**
Field expenditures	140,171	358	(4,178)	**136,351**
Other	73,353	79,392	(1,148)	**151,597**
Total exploration and evaluation assets	$ 32,563,219	$ 1,156,371	$ (920,596)	**$ 32,798,994**

(Expressed in Canadian Dollars Except As Otherwise Indicated)

6. Exploration and evaluation assets (continued)

The following is the reconciliation of exploration and evaluation expenditures related to Blawn for the year ended December 31, 2015:

	Opening balance December 31, 2014	Additions	Exchange difference	Balance December 31, 2015
Blawn				
Drilling	$ 5,759,285	$ -	$ 1,112,377	**$ 6,871,662**
Pre-feasibility study	5,378,870	(118,747)	1,156,873	**6,416,996**
Professional and labour	4,365,469	135,948	853,746	**5,355,163**
Employee salary and benefits	3,741,548	731,752	782,441	**5,255,741**
Preliminary economic assessment	3,164,850	118,747	492,073	**3,775,670**
Mineral leases	1,935,136	210,206	361,021	**2,506,363**
Employee share based compensation (non-cash)	1,046,369	4,045	-	**1,050,414**
Transportation	342,098	5,818	66,504	**414,420**
Equipment rentals	205,313	-	39,626	**244,939**
Feasibility study	192,113	13,277	38,172	**243,562**
Data acquisition	157,794	24,498	32,473	**214,765**
Field expenditures	117,494	-	22,677	**140,171**
Other	59,399	2,301	11,653	**73,353**
Total exploration and evaluation assets	$ 26,465,738	$ 1,127,845	$ 4,969,636	**$ 32,563,219**

7. Property, plant and equipment

	Office Equipment	Computer Equipment	Motor Vehicles	Leasehold Improvement	Valleyfield Project	Total
Cost						
As at December 31, 2014	$ 267,905	$ 312,782	$ 40,816	$ 214,381	$ -	$ 835,884
Additions	-	-	-	-	20,178	20,178
Disposals	(252,315)	(294,396)	(35,184)	(214,381)	-	(796,276)
Foreign exchange	(15,590)	(18,386)	(5,632)	-	-	(39,608)
As at December 31, 2015	-	-	-	-	20,178	20,178
Additions	-	-	-	-	1,633,250	1,633,250
As at December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,653,428**	**$ 1,653,428**
Accumulated depreciation						
As at December 31, 2014	$ 101,880	$ 198,052	$ 6,123	$ 99,891	$ -	$ 405,946
Depreciation	19,867	38,558	3,915	42,951	-	105,291
Disposals	(127,561)	(247,492)	(11,191)	(142,842)	-	(529,086)
Foreign exchange	5,814	10,882	1,153	-	-	17,849
As at December 31, 2015 and 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Carrying amount						
As at December 31, 2015	$ -	$ -	$ -	$ -	$ 20,178	$ 20,178
As at December 31, 2016	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,653,428**	**$ 1,653,428**

(Expressed in Canadian Dollars Except As Otherwise Indicated)

7. Property, plant and equipment (continued)

On August 11, 2015, the Corporation entered into an agreement to purchase all the issued and outstanding shares of the Valleyfield Fertilizer Corporation ("Valleyfield"). This transaction has been recorded for accounting purposes as an asset acquisition as Valleyfield's only asset is the Valleyfield Project located in Valleyfield, Quebec.

As purchase consideration, the Corporation issued 200,000 common shares at a price of $0.04 per share valued at $8,000. Costs associated with the acquisition totalled $12,178 and include legal and regulatory fees. In addition, there is a gross overriding royalty to the seller or his designate of:

i) 1% on revenue from the Valleyfield Project; and

ii) 0.5% on revenue from any other site developed by the Corporation or its affiliates in North America utilizing Mannheim technology to produce sulphate of potash.

Under the terms of the Valleyfield purchase agreement, as well as the consulting agreement with the seller, the seller's semi-monthly gross consulting fees will not accrue or become payable by the Corporation until the Corporation raises sufficient capital to advance the Valleyfield Project.

The seller has agreed to be engaged as a consultant to Potash Ridge and continue to work on the development of the Valleyfield Project, as well as other potential Mannheim opportunities already identified.

The Valleyfield Project has been recorded under property, plant and equipment and will not be depreciated until construction is completed and the asset is ready for its intended use. For the year ended December 31, 2016, the Corporation incurred expenditures of $1,633,250 (2015 - $20,178) on the Valleyfield Project.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2016	2015
Accounts payable	**$ 961,772**	$ 247,075
Accrued liabilities	**1,772,636**	1,026,440
	$ 2,734,408	$ 1,273,515

9. Other current and non-current liabilities

On March 24, 2014, the Corporation exercised the Lease Option in the Exploration and Option Agreement to commence the Blawn Mountain Mining Lease (the "Mining Lease"). The Corporation made an initial payment to SITLA of US$200,000 and entered into an arrangement whereby it would make further payments, as follows:

i)	March 31, 2015	US$164,000
ii)	August 31, 2015	US$164,000
iii)	March 31, 2016	US$164,000
iv)	August 31, 2016	US$164,000
v)	March 31, 2017	US$164,000

The Corporation classified the Mining Lease as "other financial liabilities" and recorded it at fair value on initial recognition. The Corporation has agreed to pay a finance charge of 5.75% per annum on the outstanding balance during this three year period. Also under the terms of the Mining Lease, a minimum annual royalty payment of US$46,200 and an annual rental payment of US$11,500 is due to SITLA. The first annual royalty and rental payments were made on March 24, 2014.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

9. Other current and non-current liabilities (continued)

In June 2015, the Corporation entered into a modification of the Mining Lease Agreement with SITLA. The modification cures the event of default under the Mining Lease that occurred on March 31, 2015. Under the terms of the modification, SITLA has agreed to forbear from exercising its rights and remedies resulting from Potash Ridge's failure to make lease and minimum royalty payments to SITLA under the terms of the Mining Lease. The forbearance period is from March 31, 2015 to April 1, 2017 (See note 18(ii) – Subsequent events).

The Corporation was obligated to pay accrued and unpaid interest by March 31, 2016 or when it raised US$1.5 million in new funds for the development of Blawn, whichever arose first. Once the Corporation raises US$3.0 million or more of new funds for the development of Blawn, then all outstanding amounts currently due under the Mining Lease, plus accrued interest, will become due.

The Corporation will pay interest to SITLA on unpaid lease and minimum royalty payments, which will accrue annually at a rate of SITLA's published prime rate plus two percent (currently equivalent to 5.25%) or 6.0%, whichever is greater, with the first interest payment having been due on March 31, 2016. The Corporation made the required accrued interest payments to SITLA on March 30, 2016 and August 30, 2016, and is in compliance with the terms of the forbearance.

Potash Ridge will continue to be required to meet all other obligations under the terms of the Blawn Mountain Mining Lease.

During the year ended December 31, 2016, the Corporation accrued minimum annual royalty payment, annual rental payment and interest of $152,950 (US$113,912) and made interest payments of $54,857 (US$40,856).

	2016	**2015**
Other current liabilities	**$ 1,427,929**	$ 1,100,474
Other non-current liabilities	**-**	226,976
	$ 1,427,929	$ 1,327,450

10. Advance payable

On December 28, 2016, the Corporation received an advance of $3,021,075 (US$2,250,000) under a Convertible Security Agreement. The Convertible Security Agreement closed on January 4, 2017 following the satisfaction of certain conditions. (See note 18(i) - Subsequent events).

11. Financial risk management

Capital risk management

The Corporation defines capital as total shareholders' equity including share capital, other reserves, deficit and accumulated other comprehensive loss. The Corporation manages its capital to ensure that adequate funds are available or are scheduled to be raised to carry out the Corporation's defined development program and to meet its ongoing administrative costs. This is achieved by the Board of Directors' review and acceptance of budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other fund raisings.

The Corporation is not subject to any externally imposed capital requirements imposed by a regulator or lending institution.

11. Financial risk management (continued)

Liquidity risk management

The Corporation manages liquidity risk by maintaining adequate cash balances in order to meet liabilities as they come due. As at December 31, 2016, the Corporation had insufficient cash of $3,497,094 (2015 - $410,877) to settle current liabilities of $7,183,412 (2015 - $2,373,989) and 2017 commitments of $269,677 (2015 - $608,839). The Corporation is seeking to raise additional capital through equity issuances or other available means (See note 18(i) – Subsequent events) in order to continue funding its operating, exploration and evaluation activities, and to settle all of its current liabilities and future commitments (refer to note 1). The Corporation is also in discussions with SITLA with regards to its financial obligations under the terms of the Mining Lease (refer to note 9).

The Corporation regularly monitors actual cash flows to budgets and updates projected cash forecasts as needed. The Corporation will defer discretionary expenditures, as required, in order to manage and conserve its available cash balances for current liabilities and commitments.

Foreign currency risk management

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash. As at December 31, 2016, the cash and cash equivalents was $3,497,094 (2015 - $410,877).

The Corporation undertakes transactions denominated in foreign currencies and consequently, is exposed to exchange rate risks. Exchange rate risks are managed by matching levels of foreign currency balances and related obligations. The rate published by the Bank of Canada at the close of business on December 31, 2016 was $1.3427 (December 31, 2015 - $1.3840) per US dollar. Based on the Corporation's financial instrument balances at December 31, 2016, net income/(loss) would change by approximately $155,000 (2015 - $400) given a 5% increase or decrease in the US dollar to Canadian dollar rate.

Interest rate risk management

The Corporation’s overall exposure to the risk of changes in market interest rates relates primarily to its bank current account balances and short-term marketable securities. At prevailing market interest rates, the impact on interest income is minimal.

Credit risk management

The Corporation’s main credit risk arises from its cash deposits with banks. The majority of the Corporation’s cash and cash equivalent balances are with a major Canadian chartered bank. The Corporation limits its counterparty credit risk on its deposits by dealing only with highly rated financial institutions.

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12. Related party transactions

The Corporation's related parties as defined by IAS 24 "Related Party Disclosures", include the Corporation's subsidiaries, executive and non-executive directors, senior officers and entities controlled or jointly controlled by the Corporation's directors or senior officers.

Key management compensation expense incurred by the Corporation including its subsidiaries is summarized in the table below:

	2016	2015
Compensation and fees	$ 573,224	$ 479,434
Share-based awards	223,080	47,855
	$ 796,304	$ 527,289

As at December 31, 2016, an amount of $96,565 (2015 - $10,764) was included in accounts payable and accrued liabilities which were due to officers of the Corporation.

13. Issued capital

(i) Common shares

The Corporation's authorized capital stock includes an unlimited number of common shares (issued - 126,441,138 common shares) ("Common Shares") having no par value and 50,000,000 non-voting common shares (issued - Nil).

On May 21, 2016 and May 25, 2016 respectively, the Corporation closed both tranches of a non-brokered private placement of 5,600,000 units at a price of $0.25 per unit, for gross proceeds of $1,400,000 ("May 2016 Units"). Each May 2016 Unit is comprised of one Common Share in the capital of the Corporation and one half of one purchase share warrant. Each whole warrant ("May 2016 Warrants") is exercisable to acquire one Common Share at an exercise price of $0.50 per Common Share for a period of three years from the date of closing. In connection with this private placement, the Corporation has agreed to pay fees to certain individuals that include cash commissions totaling $54,828.

These May 2016 Warrants were assigned a fair value of $575,392, using a Black-Scholes option pricing valuation model with the following weighted average assumptions: risk-free rate – 0.65%; volatility – 136%; expected life – 3 years, and resulted in a weighted average value of $0.21 per May 2016 Warrant.

On April 15, 2016 and April 20, 2016 respectively, the Corporation closed both tranches of a non-brokered private placement of 11,666,663 units at a price of $0.15 per unit, for gross proceeds of $1,750,000 ("April 2016 Unit"). Each April 2016 Unit is comprised of one Common Share and one half of one purchase warrant (a "April 2016 Warrant"). Each April 2016 Warrant is exercisable to acquire one Common Share at an exercise price of $0.30 per Common Share for a period of three years from the date of closing. The Corporation has the right to require warrant holders to exercise these April 2016 Warrants at any time in the event that the Common Shares trade above $0.70 for 21 consecutive trading days. In connection with this private placement, the Corporation has agreed to pay fees to certain individuals that include cash commissions totaling $65,141 and the issuance of 666,667 finder warrants at the same price and term as the April 2016 Warrants above.

These April 2016 Warrants and finder warrants were assigned values of $1,254,027 and $140,667, respectively, using a Black-Scholes option pricing valuation model with the following weighted average assumptions: risk-free rate – 0.58%; volatility – 139%; expected life – 3 years, and resulted in a weighted average value of $0.21 per April 2016 Warrant.

On March 16, 2016, Sprott Resource Corporation, the holder of the 5,055,254 non-voting common shares, exercised their right to convert the non-voting common shares into Common Shares.

(Expressed in Canadian Dollars Except As Otherwise Indicated)

13. Issued capital (continued)

(i) Common shares (continued)

On November 27, 2015, the Corporation closed a non-brokered private placement of 20,000,000 units (the "November 2015 Units") at a price of $0.03 per November 2015 Unit, for gross proceeds of $600,000. Each November 2015 Unit is comprised of one Common Share and one half of one Common Share purchase warrant (a "November 2015 Warrant"). Each November 2015 Warrant is exercisable to acquire one Common Share at an exercise price of $0.08 per Common Share for a period of two years from the date of issuance. In connection with this private placement, the Corporation has agreed to pay fees to certain individuals that include cash commissions totaling $39,083 and the issuance of 1,302,750 finder warrants. Each finder warrant is exercisable to acquire one Common Share at an exercise price of $0.08 per Common Share for a period of two years from the date of issuance.

These November 2015 Warrants and finder warrants were assigned values of $140,000 and $18,239, respectively, using the Black-Scholes option pricing valuation model with the following weight average assumptions: risk-free rate – 0.63%; volatility – 100%; expected life – 2 years, and resulted in a weighted average value of $0.014 per November 2015 Warrant.

(ii) Purchase share warrants

Outstanding purchase share warrants as at December 31, 2016 and 2015 are as follows:

	Number of purchase share warrants	Weighted average exercise price per share
Balance, December 31, 2014	**-**	**$ -**
Issued	11,302,750	0.08
Balance, December 31, 2015	**11,302,750**	**0.08**
Issued	9,300,002	0.36
Exercised	(1,932,443)	(0.11)
Balance, December 31, 2016	**18,670,309**	**$ 0.22**

Purchase share warrants outstanding as at December 31, 2016, carry exercise prices and expiry dates are as follows:

Expiry date	Number of Warrants	Exercise price
November 27, 2017	9,266,665	$0.08
November 27, 2017 (finder)	363,642	$0.08
April 15, 2019	3,972,610	$0.30
April 15, 2019 (finder)	666,667	$0.30
April 18, 2019	1,021,750	$0.30
April 19, 2019	541,028	$0.30
April 20, 2019	37,947	$0.30
May 21, 2019	2,429,191	$0.50
May 25, 2019	370,809	$0.50
	18,670,309	

(Expressed in Canadian Dollars Except As Otherwise Indicated)

13. Issued capital (continued)

(iii) Stock options

The Corporation maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors, or consultants of the Corporation, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or such committee (the "Plan"). The stock option plan provides that the total number of common shares that may be reserved for issuance for all purposes under the stock option plan cannot be more than 10% of the outstanding common shares at the time of any grant of stock options. The terms of the options, including when they vest, are determined by the Board of Directors as they are granted.

During the year ended December 31, 2016, the Corporation granted 2,075,000 stock options (2015 – 4,000,000 stock options) to directors, employees and consultants at a weighted average exercise price of $0.37 (2015 - $0.04). These ten year term options vest over two years in three equal portions with one third vesting on the grant date and one third vesting of each of the first and second anniversaries of the grant date. The fair value of stock options granted during the year has been determined to be $638,600 (2015 - $144,000).

The fair value of the stock options was calculated using the Black-Scholes option pricing valuation model and utilized the following weighted average assumptions:

	2016	2015
Risk-free rate	1.13 %	1.56 %
Expected dividend yield	0 %	0 %
Expected price volatility of the Corporation's common shares	132 %	100 %
Forfeiture rate	0 %	0 %
Weighted average fair value	$ 0.308	$ 0.036

During the year ended December 31, 2016, an expense of $452,526 (2015 - $44,340) related to stock options has been included in the consolidated statement of income (loss) and comprehensive income (loss) and $nil (2015 - $4,045) was capitalized to exploration and evaluation assets. As at December 31, 2016, there is $265,784 (2015 - $89,308) of share-based compensation expense remaining to be charged to net income (loss) and/or capitalized to exploration and evaluation assets in future periods.

Stock options to purchase Common Shares that have been granted in accordance with the Plan are as follows:

	Number of stock options	Weighted average exercise price per share
Balance, December 31, 2014	**6,530,000**	**$ 0.61**
Options granted	4,000,000	0.04
Options expired	(1,083,333)	0.86
Options forfeited	(46,667)	1.00
Balance, December 31, 2015	**9,400,000**	**0.34**
Options granted	2,075,000	0.37
Options exercised	(333,000)	0.17
Options forfeited	(567,000)	0.47
Balance, December 31, 2016	**10,575,000**	**$ 0.34**

(Expressed in Canadian Dollars Except As Otherwise Indicated)

13. Issued capital (continued)

(iii) Stock options (continued)

Stock options to purchase Common Shares at December 31, 2016, carry exercise prices and weighted average lives to maturity are as follows:

Number of stock options outstanding	Number of stock options vested and exercisable	Exercisable price ($)	Expiry date	Weighted average remaining actual life (years)
2,100,000	2,100,000	0.25	December 9, 2021	4.94
600,000	600,000	0.75	January 26, 2022	5.07
60,000	60,000	0.75	February 1, 2022	5.09
1,550,000	1,550,000	1.00	December 5, 2022	5.93
350,000	350,000	0.14	November 22, 2023	6.90
240,000	240,000	0.33	May 13, 2024	7.37
3,600,000	3,600,000	0.04	November 27, 2025	8.91
750,000	250,000	0.33	May 11, 2026	9.36
1,325,000	441,666	0.40	August 11, 2026	9.62
10,575,000	9,191,666	0.34		7.47

(iv) Outstanding purchase share warrants and stock options

The following table sets out the maximum number Common Shares that would be outstanding if all of the purchase share warrants and stock options, as at December 31, 2016 and 2015, respectively, were exercised:

	2016	2015
Common shares outstanding	126,441,138	101,853,778
Purchase share warrants	18,670,309	11,302,750
Stock options	10,575,000	9,400,000
	155,686,447	122,556,528

14. Net income (loss) per share

Basic and diluted income (loss) per share has been calculated as follows:

	2016	2015
Numerator:		
Net income (loss) for the year	**$ (3,284,407)**	$ 3,098,217
Denominator:		
Weighted average number of shares outstanding - basic	**119,908,231**	88,695,333
Dilutive effect of purchase share warrants and stock options	**-**	780,362
Weighted average number of shares outstanding - diluted	**119,908,231**	89,475,695
Net income (loss) per share		
Basic	**$ (0.03)**	$ 0.03
Diluted	**$ (0.03)**	$ 0.03

(Expressed in Canadian Dollars Except As Otherwise Indicated)

15. Commitments and contingencies

The Corporation has office leases which are under sublet agreements and/or covered by the proceeds of the called Letter of Credit and equipment leases which relate to equipment which has been returned to the lessors. The future minimum payments under various lease arrangements and other contractual obligations are as follows, as at December 31, 2016:

	Less than 1 year	1 - 5 years	After 5 years	Total
Mining lease	$ 77,541	$ 403,213	$ 294,656	$ 775,410
Exploration leases	7,820	20,812	5,203	33,835
Operating leases	184,316	29,141	-	213,457
Total	**$ 269,677**	**$ 453,166**	**$ 299,859**	**$ 1,022,702**

16. Segmented information

The Corporation operates in one reportable segment, being the exploration, evaluation and development of mineral properties and related projects. The Corporation's development projects are located in the United States of America and in Canada.

17. Income taxes

As at December 31, 2016, the Corporation has temporary differences for which no deferred tax asset has been recognized of non-capital Canadian losses of $16,279,668 (2015 - $10,128,043) that expire between 2031 and 2036, and non-capital U.S. tax losses of $16,218,670 (2015 - $8,066,325) that expire between 2031 and 2036, and other deductible temporary differences of $194,849 (2015 - $649,963), the benefits of which have not been recognized in the consolidated financial statements.

Income tax expense varies from the amount that would be computed from applying the combined federal and provincial to rate to accounting loss before taxes as follows:

Year ended December 31,	**2016**	**2015**
Net income (loss) before taxes	**$ (3,284,407)**	$ 3,098,217
Expected (provision) recovery at combined statutory rate of 26.5%	**(870,368)**	(821,028)
Impact of differences between Canada and U.S. tax rates	**(26,860)**	92,007
Non-deductible expenses	**122,453**	(13,413)
Tax benefits recognized (not recognized)	**774,775**	742,434
Total tax recovery	**$ -**	$ -

18. Subsequent events

(i) Lind Agreement

On December 16, 2016, the Corporation announced a convertible security funding agreement (the "Lind Agreement") with Lind Asset Management VIII, LLC, managed by The Lind Partners, LLC, a New York-based institutional fund manager (together, "Lind") for the issue of convertible securities. The Lind Agreement provides for up to US$11,757,000 by way of two separate convertible securities. On January 4, 2017, the Corporation closed the first convertible security (the "First Tranche") of US$2,640,000, of which US$2,250,000 was received on December 28, 2016 (See note 10 – Loan payable). The First Tranche has a twenty-four month term from date of issuance, and interest is prepaid and added to its principal amount; accordingly, the initial face value of the First Tranche is US$3,168,000, and yield of the First Tranche (if held, unconverted, to maturity) will be 10% per annum, or $528,000. Lind has the option to increase the First Tranche by up to US$871,000 at any time. In addition, the Corporation paid a US$132,000 closing fee to Lind and granted Lind 6,511,326 common share purchase warrants ("Lind Warrants") with each Lind Warrant entitling Lind to purchase one additional Common Share at a price of C$0.50 per Common Share for a five year period.

The First Tranche is convertible into Common Shares at a conversion price equal to 85% of the volume weighted average trading price of the Common Shares (In Canadian dollars) for the five consecutive trading days immediately prior to the date on which Lind provides the Corporation with notice of its intention to convert an amount of the First Tranche. The First Tranche was completed under private placement rules of the TSX with a four-month plus one day hold period. The Corporation has the right to buy-back the First Tranche at any time for a 5% premium, or for no premium during the first six months following the closing.

The First Tranche is subject to customary events of default, which if they occur, make the First Tranche immediately payable and includes if, after the first four months, the Corporation's cash balance is less than C$1,000,000 or its market capitalization falls below C$25,000,000.

Subject to certain conditions, the Lind Agreement also provides for the issuance of a second convertible security on mutual agreement of the Corporation and Lind, in which Lind may fund up to another US$6,200,000. Lind may also increase the funding under the second convertible security by up to US$2,046,000 million.

The Corporation will account for the First Tranche at fair value.

(ii) Jones Hamilton Agreement

On March 23, 2017, the Corporation and Jones-Hamilton Co. ("JH") executed a supply agreement whereby JH committed to purchasing the hydrochloric acid by-product from the Valleyfield Project in addition to committing to fund approximately 15% of the capital cost of the Valleyfield Project. Upon execution of the agreement, JH made a payment of US$500,000 to the Corporation.

(iii) SITLA Forbearance

On March 16, 2017, SITLA agreed to an extension of the forbearance period from April 1, 2017 to June 30, 2017. As part of the extension, the Corporation made a US$500,000 payment to SITLA on March 24, 2017.