

AMERICAN POTASH CORP.

An Exploration Stage Enterprise

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited Interim Financial Statements

In Accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended January 31, 2017.

AMERICAN POTASH CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

	Note	January 31, 2017	July 31, 2016
ASSETS		\$	\$
Current			
Cash		68,403	29,430
Prepaid expenses		39,551	6,654
Income tax receivable		-	24,267
GST receivable		3,978	10,132
Total current assets		111,932	70,483
Non-current assets			
Exploration and evaluation assets	3	361,233	232,824
Total non-current assets		361,233	232,824
Total assets		473,165	303,307
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4	47,377	86,176
Due to related parties	6	39,436	24,866
Total liabilities		86,813	111,042
EQUITY			
Equity attributable to shareholders			
Share capital	5	6,583,704	6,357,586
Reserves	5	1,887,009	1,886,888
Accumulated deficit		(8,084,361)	(8,052,209)
Total equity		386,352	192,265
Total liabilities and equity		473,165	303,307

Going concern – Note 1

Commitments – Note 8

Subsequent event – Note 12

On behalf of the board:

*“Rudy de Jonge”*_____
Rudy de Jonge*“Darryl Yea”*_____
Darryl Yea

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

AMERICAN POTASH CORP.Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Six months ended		Three months ended	
	January 31,		January 31,	
	2017	2016	2017	2016
General and administrative expenses				
Consulting fees	\$ 30,000	\$ 42,020	\$ 15,000	\$ 18,900
Foreign exchange	3,765	4,537	30	(28)
Insurance	-	4,170	-	1,168
Interest expense and bank charges	578	410	421	(90)
Investor relations, website and promotion (recovery)	-	575	-	(11,000)
Office and administration	7,102	849	6,258	458
Professional fees	25,122	28,631	17,825	5,410
Transfer agent and filing fees	20,198	12,688	17,051	8,968
Travel and entertainment	8,000	615	8,000	-
Wages	-	201	-	8
	(94,765)	(94,696)	(64,585)	(23,794)
Other income				
Current tax recovery	62,613	-	62,613	-
Net loss	(32,152)	(94,696)	(1,972)	(23,794)
Other comprehensive income				
Foreign currency translation	121	3,371	(3,339)	1,862
Total comprehensive loss	(32,031)	(91,325)	(5,311)	(21,932)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding - basic and diluted	23,125,745	13,630,408	24,412,016	13,630,408

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

AMERICAN POTASH CORP.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

	Six months ended		Three months ended	
	January 31,		January 31,	
	2017	2016	2017	2016
Cash provided by (used in):	\$	\$	\$	\$
Operating activities:				
Net loss for the period	(32,152)	(94,696)	(1,972)	(23,794)
Changes in non-cash working capital:				
Accounts receivable	30,421	(3,546)	31,666	(1,734)
Prepaid expenses	(32,897)	6,519	(34,989)	1,168
Accounts payable and accrued liabilities	(38,799)	38,682	(8,146)	(48,152)
Due to related parties	14,570	(77,592)	11,158	56,036
	(58,857)	(130,633)	(2,283)	(16,474)
Investing activities:				
Exploration and evaluation assets	(128,409)	(112,753)	(94,952)	4,801
	(128,409)	(112,753)	(94,952)	4,801
Financing activities:				
Share subscriptions received	-	50,000	-	50,000
Shares issued for cash (net of share issue costs)	226,118	-	154,980	-
	226,118	50,000	154,980	50,000
Effect of exchange rate changes	121	3,371	(3,339)	1,862
Net change in cash	38,973	(190,015)	54,406	40,189
Cash, beginning of period	29,430	232,380	13,997	2,176
Cash, end of period	68,403	42,365	68,403	42,365

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

AMERICAN POTASH CORP.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars - unaudited)

	Common Shares		Share-based Payment Reserve	Warrant Reserve	Foreign Currency Translation Reserve	Share Subscription Received	Deficit	Total Equity (Deficiency)
	Number of Shares	Amount						
		\$	\$	\$	\$	\$	\$	\$
Balance on July 31, 2015	13,630,409	6,016,167	1,047,433	483,849	341,782	-	(7,895,701)	(6,470)
Share subscription received	-	-	-	-	-	50,000	-	50,000
Net loss for the period	-	-	-	-	-	-	(91,325)	(91,325)
Balance on January 31, 2016	13,630,409	6,016,167	1,047,433	483,849	341,782	50,000	(7,987,026)	(47,795)
Balance on July 31, 2016	21,150,409	6,357,586	1,047,433	501,105	338,349	-	(8,052,209)	192,264
Shares issued for private placement	4,247,965	226,118	-	-	-	-	-	226,118
Net loss for the period	-	-	-	-	-	-	(32,152)	(32,152)
Other comprehensive income	-	-	-	-	122	-	-	122
Balance on January 31, 2017	25,398,374	6,583,704	1,047,433	501,105	338,471	-	(8,084,361)	386,352

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

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

1. NATURE OF OPERATIONS

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were authorized for issue on April 3, 2017 by the directors of the Company.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting* (IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee (IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended July 31, 2016.

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of compliance (Continued)

These condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended July 31, 2016.

Basis of preparation

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

Basis of consolidation

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

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

3. EXPLORATION AND EVALUATION ASSETS

Green River Potash Project

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

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

Green River Potash Project (Continued)

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

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

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

On February 23, 2015, the Company amended the terms of the Sweetwater Option agreement and announced delayed scheduled cash payments to the optionors. Pursuant to the amended Sweetwater option agreement, the Company is to issue the outstanding 3.6 million shares of the Company within a reasonable period of time from the first anniversary of the receipt of the federal potash prospecting permits which was on February 7, 2014 (3.6 million shares issued February 13, 2015). The scheduled cash payments are to be delivered no later than the following dates and in the following allocations: USD\$10,000 on the first anniversary of the receipt date; USD\$15,000 on the 18-month anniversary of the receipt date (paid August 21, 2015); USD\$25,000 on the earlier of the date that is 120 days immediately following the drill date and the two-year anniversary of the receipt date; and USD\$150,000 on the earlier of the date that is 120 days immediately following the drill date and the three-year anniversary of the receipt date. On February 23, 2015, the Company fulfilled the first anniversary obligations to the optionors, pursuant to the Sweetwater Option agreement, by issuing 3.6 million shares in the Company and paying US\$10,000. During the period ended January 31, 2017, the scheduled payments were amended.

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

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

3. EXPLORATION AND EVALUATION ASSETS (Continued)

Green River Potash Project (Continued)

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

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

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

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

AMERICAN POTASH CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the six months ended January 31, 2017 and 2016****(Expressed in Canadian Dollars - unaudited)****3. EXPLORATION AND EVALUATION ASSETS (Continued)****Green River Potash Project Expenditures**

	Total for six months ended January 31, 2017	Total for year ended July 31, 2016
Mineral acquisition costs:	\$	\$
Balance, beginning	1	1
Shares	-	-
Foreign exchange translation	-	-
Impairment	-	-
Balance, ending	1	1
Exploration and evaluation expenditures:		
Balance, beginning	232,824	-
General administration	10,000	4,800
Permit SITLA	56,280	52,705
Federal permit	32,420	121,027
Foreign exchange translation	29,708	54,292
Balance, ending	361,232	232,824
Total	361,233	232,825

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2017	July 31, 2016
	\$	\$
Accounts payable	46,460	85,259
Taxes payable	917	917
	47,377	86,176

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

5. SHARE CAPITAL

a) Authorized

Unlimited common shares with no par value.

b) Issued and outstanding

At January 31, 2017 there were 25,398,374 (July 31, 2016 – 21,150,409) issued and fully paid common shares.

c) Common shares

Period ended January 31, 2017

On December 1, 2016, the Company closed a non-brokered private placement of 2,927,256 units at a price of \$0.055 per unit for gross proceeds of \$161,000. Each unit consists of one common share of the Issuer and one common share purchase warrant of the Issuer. Each Warrant will be exercisable into a common share of the Company for a period of twelve months at an exercise price of \$0.10 during the twelve months. The securities issued under the private placement are subject to a hold period expiring on March 25, 2017.

In connection with the closing of the private placement, the Company paid certain finders' fees: 109,453 purchase warrants and \$5,250 in finders' fees. Each finder warrant entitles the holder to purchase one additional common share of the Company until November 24, 2017, with an exercise price of \$0.10 for 12 months.

On September 20, 2016, the Company closed a non-brokered private placement of 1,320,709 units at a price of \$0.055 per unit for gross proceeds of \$72,639. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.10 for a period two years. In connection with the closing of the private placement, the Company paid \$1,500 cash and issued 27,288 purchase warrants for finders' fees. Each finder's warrant entitles the holder to purchase one additional common share of the Company at an exercise price of \$0.10 for a period of two years.

Year ended July 31, 2016

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

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

5. SHARE CAPITAL (Continued)

c) Common shares (Continued)

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

d) Basic and diluted loss per share

Diluted loss per share did not include the effect of 600,000 (January 31, 2016 – 710,000) stock options and 13,188,252 (January 31, 2016 – 2,932,523) warrants as the effect would be anti-dilutive.

e) Stock options

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

There were no option granted during the period ended January 31, 2017 and 2016. Included share-based payment expense for the year ended July 31, 2015 was \$5,595 relating to the vesting of options granted prior to the year ended July 31, 2014.

AMERICAN POTASH CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the six months ended January 31, 2017 and 2016****(Expressed in Canadian Dollars - unaudited)****5. SHARE CAPITAL (Continued)****e) Stock options (Continued)**

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

	Number of Options Outstanding	Weighted Average Exercise Price
		\$
Balance, July 31, 2014	907,000	0.55
Options expired	(30,000)	0.50
Options canceled	(167,000)	0.50
Balance, July 31, 2015	710,000	0.50
Options expired	(60,000)	0.75
Options canceled	(50,000)	0.50
Options outstanding at July 31, 2016 and January 31, 2017	600,000	0.50

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

Number of Options Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
600,000	0.50	0.96

f) Share purchase warrants

The continuity of warrants for the period ended January 31, 2017 is as follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price (\$)
Balance, July 31, 2014	1,293,123	0.70
Warrants issued	1,639,400	0.60
Balance, July 31, 2015	2,932,523	0.65
Warrants expired	(1,293,123)	0.70
Warrants issued	7,824,500	0.14
Balance, July 31, 2016	9,463,900	0.22
Warrants issued	3,724,352	0.10
Balance, January 31, 2017	13,188,252	0.19

AMERICAN POTASH CORP.**Notes to the Condensed Consolidated Interim Financial Statements****For the six months ended January 31, 2017 and 2016****(Expressed in Canadian Dollars - unaudited)****5. SHARE CAPITAL (Continued)****f) Share purchase warrants (Continued)**

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

Number of Warrants Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)
71,400	\$0.60	0.85
1,568,000	\$0.60	0.85
7,824,500	\$0.14	3.20
687,643	\$0.10	1.62
3,036,709	\$0.10	0.81
13,188,252	\$0.19	2.09

g) Share based payment reserve

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

h) Warrant reserve

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

i) Foreign currency translation reserve

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

6. RELATED PARTY TRANSACTIONS**Related party balances**

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

	January 31, 2017	July 31, 2016
	\$	\$
Companies controlled by directors of the Company	39,436	24,866
	39,436	24,866

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

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

6. RELATED PARTY TRANSACTIONS (Continued)

Related party balances (Continued)

During the year ended July 31, 2016 and 2015, directors of the Company provided the Company with short term loans (Note 7).

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

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

Services provided by:	January 31, 2017	January 31, 2016
	\$	\$
Consulting fees	30,000	34,520
Accounting fees	12,000	2,000
	42,000	36,520

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

7. SHORT TERM LOANS

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

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

During year ended July 31, 2015, three directors provided a total of \$26,800 and a consultant of the Company provided \$5,400 in short-term loans. During the year ended July 31, 2014, three directors each loaned the company \$6,000 for an aggregate total of \$24,000. The loans were unsecured, repayable on or before January 31, 2015, with an annual interest rate of 10%, and were repayable in cash or common shares of the Company, at the option of the Lenders (Note 6). On December 8, 2014, these short term loans were settled via shares which were part of a private placement.

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

8. COMMITMENT

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

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

(a) Credit Risk

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

(b) Foreign Exchange Rate Risk

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

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

	January 31, 2017	July 31, 2016
	\$	\$
Cash	67,572	1,687
Accounts payable	(5,316)	(28,673)
	62,256	(26,986)

Based on the above net exposures, as at January 31, 2017, a 10% change in the US dollar to Canadian Dollar exchange rate would impact the Company's net income by \$6,226.

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

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

(d) Price Risk

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

(e) Interest Rate Risk

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

(f) Fair Values

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

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

Cash is measured using level 1 inputs.

10. CAPITAL MANAGEMENT

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

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended January 31, 2017 and 2016

(Expressed in Canadian Dollars - unaudited)

10. CAPITAL MANAGEMENT (Continued)

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year.

11. SEGMENTED INFORMATION

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

12. SUBSEQUENT EVENT

On February 2, 2017, the Company has granted 1.6 million options to its officers, directors and consultants exercisable at 10 cents with a term of five years from date of issuance.

On February 21, 2017, the Company has arranged a non-brokered private placement for up to 2,777,777 units at a price of nine cents per unit to raise total proceeds of \$250,000. Each unit will comprise one common share of the issuer and one common share purchase warrant of the issuer. Each warrant will be exercisable into a common share of the Company for a period of 24 months at an exercise price of 12 cents during the two years.

Shares issued pursuant to this private placement are subject to a four-month hold period from the closing date in accordance with applicable securities laws and, if required, the policies of the exchange. Finders' fees or commissions may be payable by the Company in connection with this private placement.

On February 28, 2017, the Company has completed a letter of intent with Power Metals Corp. regarding a joint venture agreement to explore and develop lithium brines beneath the Company's 100-per-cent-owned 9,040-acre contiguous block of lithium claims and Utah state lithium leases plus an additional 4,480 acres of non-contiguous Utah state lithium leases.

AMERICAN POTASH CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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12. SUBSEQUENT EVENT (Continued)

Terms of agreement

According to the terms agreed to by both parties under the LOI, Power Metals can earn up to 65 per cent of all American Potash lithium holdings in Utah by completing the following:

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

A definitive agreement based on the terms defined in the LOI will be signed within 14 business days of the LOI date. As at January 31, 2017, the LOI definitive agreement has been extended.

On March 20, 2017, the Company has closed the first tranche of its previously announced non-brokered private placement (see news release dated February 21, 2017) for 1,388,888 units at a price of nine cents per unit to raise total proceeds of \$125,000 out of \$250,000.

Each unit will comprise one common share of the issuer and one common share purchase warrant of the issuer. Each warrant will be exercisable into a common share of the Company for a period of 24 months at an exercise price of 12 cents during the two years.