

AMERICAN POTASH CORP.

An Exploration Stage Enterprise

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of American Potash Corp.:

We have audited the accompanying consolidated financial statements of American Potash Corp., which comprise the consolidated statements of financial position as at July 31, 2016 and July 31, 2015, and the consolidated statements of comprehensive loss, cash flows and changes in shareholder's equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about American Potash Corp.'s ability to continue as a going concern.

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

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2016

An independent firm associated with
Moore Stephens International Limited

MOORE STEPHENS

AMERICAN POTASH CORP.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	July 31, 2016	July 31, 2015
ASSETS		\$	\$
Current			
Cash		29,430	232,380
Prepaid expenses		6,654	8,464
Income tax receivable		24,267	18,610
GST receivable		10,132	3,311
Total current assets		70,483	262,765
Non-current assets			
Exploration and evaluation assets	3	232,824	1
Total non-current assets		232,824	1
Total assets		303,307	262,766
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	4	86,176	30,073
Due to related parties	6	24,866	239,163
Total liabilities		111,042	269,236
EQUITY			
Equity attributable to shareholders			
Share capital	5	6,357,586	6,016,167
Reserves	5	1,886,888	1,873,064
Accumulated deficit		(8,052,209)	(7,895,701)
Total equity		192,265	(6,470)
Total liabilities and equity		303,307	262,766

Going concern – Note 1

Commitment – Note 8

Subsequent event – Note 14

On behalf of the board:

“Rudy de Jonge”

Rudy de Jonge

“Darryl Yea”

Darryl Yea

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

AMERICAN POTASH CORP.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

		Year ended July 31, 2016	Year ended July 31, 2015
	Note		
General and administrative expenses		\$	\$
Consulting fees	6	82,836	96,597
Foreign exchange		(3,186)	8,718
Insurance		3,797	-
Interest expense and bank charges		2,479	848
Investor relations, website and promotion		1,154	74,045
Office and administration		3,049	20,521
Office rent (recovery)		(1,000)	16,098
Professional fees	6	65,759	45,394
Share-based payments	5,6	-	5,595
Transfer agent and filing fees		32,707	36,295
Travel and entertainment		6,414	18,257
Wages	6	-	159,838
		(194,007)	(482,206)
Impairment expense	3	-	(3,744,204)
Gain on debt settlement	6	37,500	-
Net loss		(156,508)	(4,226,410)
Other comprehensive income (loss)			
Foreign currency translation		(3,433)	188,247
Total comprehensive loss		(159,941)	(4,038,163)
Loss per share, basic and diluted		(0.01)	(0.34)
Weighted average number of common shares outstanding - basic and diluted		15,896,710	12,576,717

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

AMERICAN POTASH CORP.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended July 31, 2016	Year ended July 31, 2015
Cash provided by (used in):	\$	\$
Operating activities:		
Net loss for the year	(156,508)	(4,226,410)
Items not involving cash:		
Share-based payments	-	5,595
Shares issued for services	-	6,000
Impairment loss	-	3,744,204
Gain on debt settlement	(37,500)	-
Changes in non-cash working capital:		
GST receivable	(6,821)	1,945
Prepaid expenses	1,811	32,048
Accounts payable and accrued liabilities	56,103	(45,801)
Due to related parties	(176,797)	176,946
	(319,712)	(305,473)
Investing activities:		
Exploration and evaluation assets and intangible assets	(232,823)	(73,172)
	(232,823)	(73,172)
Financing activities:		
Loan advances	(100,000)	32,200
Loan repayment	100,000	-
Shares issued for cash (net of share issue costs)	358,675	542,157
	358,675	574,357
Effect of exchange rate changes	(9,090)	17,501
Net change in cash	(202,950)	213,213
Cash, beginning of year	232,380	19,167
Cash, end of year	29,430	232,380

Supplemental cash flow information is included in Note 9.

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

AMERICAN POTASH CORP.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Note	Common Shares		Share-based	Warrant Reserve	Foreign	Deficit	Total Equity
		Number of Shares	Amount	Payment Reserve		Currency Translation Reserve		
			\$	\$	\$	\$	\$	\$
Balance on July 31, 2014		11,066,580	5,123,876	1,041,838	454,368	153,535	(3,669,291)	3,104,326
Shares issued for debt settlement	5	401,329	157,616	-	-	-	-	157,616
Shares issued for cash	5	1,427,500	571,000	-	-	-	-	571,000
Shares issued per option agreement	3,5	720,000	216,000	-	-	-	-	216,000
Shares issued for services	5	15,000	6,000	-	-	-	-	6,000
Share issuance costs	5	-	(28,844)	-	-	-	-	(28,844)
Finder's warrants	5	-	(29,481)	-	29,481	-	-	-
Share-based payments	5	-	-	5,595	-	-	-	5,595
Net loss		-	-	-	-	-	(4,226,410)	(4,226,410)
Other comprehensive income		-	-	-	-	188,247	-	188,247
Balance on July 31, 2015		13,630,409	6,016,167	1,047,433	483,849	341,782	(7,895,701)	(6,470)
Shares issued for private placement	5	7,520,000	376,000	-	-	-	-	376,000
Share issuance costs - cash	5	-	(17,325)	-	-	-	-	(17,325)
Finder's warrants	5	-	(17,276)	-	17,256	-	-	-
Net loss		-	-	-	-	-	(156,508)	(156,508)
Other comprehensive loss		-	-	-	-	(3,433)	-	(3,433)
Balance on July 31, 2016		21,150,409	6,357,586	1,047,433	501,105	338,349	(8,052,209)	192,264

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

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2016 and 2015
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

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

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

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at July 31, 2016, 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 November 28, 2016 by the directors of the Company.

Statement of compliance

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

Basis of preparation

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

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2016 and 2015
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entity. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are 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 upon consolidation. Details of controlled entities are as follows:

	Country of Incorporation	Percentage owned as at July 31,		Principal Activity
		2016	2015	
American Potash LLC ("American Potash")	United States	100%	100%	Mineral exploration

Significant accounting estimates and assumptions

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

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

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

Significant judgments

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

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

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2016 and 2015
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies translation and transaction

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

Transactions and balances:

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

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

Foreign operations:

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

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

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

Financing costs

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

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2016 and 2015
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets

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

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

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

Decommissioning and rehabilitation liabilities

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

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

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

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

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2016 and 2015
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Decommissioning and rehabilitation liabilities (Continued)

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

The Company did not have any decommissioning and restoration obligations at July 31, 2016 and July 31, 2015.

Impairment of long-lived assets

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

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

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

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

Warrants issued in equity financing transactions

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

Comprehensive loss

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

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

Loss per share

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

Income taxes

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

Income taxes (Continued)

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

Financial instruments

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

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

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

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

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

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

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

- a) Cash is a financial asset at FVTPL; and
- b) Accounts payable and due to related parties have been classified as other financial liabilities.

AMERICAN POTASH CORP.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2016 and 2015
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

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

New accounting standards and interpretations

IFRS 9 Financial Instruments

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

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

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

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3. EXPLORATION AND EVALUATION ASSETS

Green River Potash Project

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

The Sweetwater Option entitles American Potash to acquire a 100% interest in permit applications, subject to a 2% royalty to the Optionors which may be bought back for \$2,000,000 USD. The option may be exercised by having the Company pay a total of \$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)

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

Green River Potash Project (Continued)

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 year ended July 31, 2016, the scheduled payments were amended.

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

On November 5, 2015, the Company entered into an amending agreement to the option agreement, as amended with Sweetwater River Resources LLC. Pursuant to the amending agreement, the parties agreed that the 12 new potash prospecting permits that Sweetwater has applied for in Utah shall be subject to the option agreement. Accordingly, the company will continue to hold an option to acquire a 100-per-cent interest in the new prospecting permits applied for by Sweetwater pursuant to the terms of the option agreement. The parties agreed that the remaining \$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; 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 July 31, 2016.

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3. EXPLORATION AND EVALUATION ASSETS (Continued)

Green River Potash Project (Continued)

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.

Green River Potash Project Expenditures

	Total for year ended July 31, 2016	Total for year ended July 31, 2015
Mineral acquisition costs:	\$	\$
Balance, beginning	1	2,930,184
Shares	-	216,000
Foreign exchange translation	-	130,255
Impairment	-	(3,276,438)
Balance, ending	1	1
Exploration and evaluation expenditures:		
Balance, beginning	-	354,104
Bonding	-	13,521
General administration	4,800	53,567
Permit SITLA	41,358	-
Federal permit	126,027	-
Foreign exchange translation	60,639	46,574
Impairment	-	(467,766)
Balance, ending	232,824	-
Total	232,824	1

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2016	July 31, 2015
	\$	\$
Accounts payable	85,259	11,156
Taxes payable	917	917
Accrued liabilities	-	18,000
	86,176	30,073

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5. SHARE CAPITAL

a) Authorized

Unlimited common shares with no par value.

b) Issued and outstanding

At July 31, 2016, there were 21,150,409 (2015 – 13,630,409) issued and fully paid common shares.

c) Common shares

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.

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.

Year ended July 31, 2015

On December 8, 2014, the Company closed a non-brokered private placement for 1,568,000 units at a price of \$0.40 per unit for gross proceeds of \$627,200. Of this private placement, \$56,200 in proceeds were not received as 140,500 units were issued to settle \$56,200 worth of short-term loans (Note 7). Each Unit consisted of one common share of the Company and one common share purchase warrant exercisable into one common share of the Company at an exercise price of \$0.12 per share expiring 36 months from date of issuance. Using the residual method, a \$Nil value was allocated to the attached warrants. Cash finders' fees of \$28,843 were paid, plus 357,000 finders' warrants issued in relation to the private placement. The fair value of the finders' warrants was determined to be \$29,481 using the black-scholes valuation method.

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5. SHARE CAPITAL (Continued)

c) Common shares (Continued)

On December 10, 2014, the Company completed shares for debt agreements totaling \$81,002 with arm's length and non-arm's length creditors through the issuance of 202,504 common shares of the Company with a fair value of \$0.40 per share. 153,425 of these shares were issued to related parties (Note 6).

On December 10, 2014, the Company issued 15,000 common shares of the company with a fair value of \$6,000 pursuant to an employment agreement with the company's president.

On January 22, 2015, the Company issued 58,325 common shares of the company with a fair value of \$20,414 pursuant to a repayment agreement to settle USD\$20,349 worth of debt owing to a third party.

On February 13, 2015, the company issued 720,000 common shares of the company pursuant to the Sweetwater option agreement. The fair value of these shares was determined to be \$216,000 which was recorded to exploration and evaluation assets.

d) Basic and diluted loss per share

Diluted loss per share did not include the effect of 600,000 (July 31, 2015 – 710,000) stock options and 9,463,900 (July 31, 2015 – 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.

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5. SHARE CAPITAL (Continued)

e) Stock options (Continued)

There were no option granted during the year ended July 31, 2016 and 2015. 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.

The continuity of exercisable stock options for the year ended July 31, 2016 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	600,000	0.50

Details of options outstanding and exercisable at July 31, 2016 are as follows:

Number of Options Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
600,000	0.50	1.46

f) Share purchase warrants

The continuity of warrants for the year ended July 31, 2016 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

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5. SHARE CAPITAL (Continued)

f) Share purchase warrants (Continued)

Details of warrants outstanding as at July 31, 2016 are as follows:

Number of Warrants Outstanding	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)
71,400	\$0.60	1.35
1,568,000	\$0.60	1.35
7,824,500	\$0.14	3.70
9,463,900	\$0.22	3.29

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 July 31, 2016 and 2015:

	July 31, 2016	July 31, 2015
	\$	\$
Companies controlled by directors of the Company	24,866	26,663
Directors and officers of the Company	-	212,500
	24,866	239,163

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

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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:	July 31, 2016	July 31, 2015
	\$	\$
Consulting fees	68,119	71,698
Accounting fees	15,883	-
Option payments	66,657	
Wages	-	159,838
Share-based payments	-	1,038
	150,659	232,574

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 (Note 5).

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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. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Services provided by:	July 31, 2016	July 31, 2015
Shares issued to settle debt	\$ -	\$ 157,615
Shares issued for exploration and evaluation assets	-	216,000

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

(a) Credit Risk

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

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Foreign Exchange Rate Risk

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

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

	July 31, 2016	July 31, 2015
	\$	\$
Cash	1,687	8,464
Accounts payable	(28,673)	-
	(26,986)	8,464

Based on the above net exposures, as at July 31, 2016, a 10% change in the US dollar to Canadian Dollar exchange rate would impact the Company's net income by \$2,699.

(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.

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair Values

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

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

Cash is measured using level 1 inputs.

11. CAPITAL MANAGEMENT

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

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

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

12. SEGMENTED INFORMATION

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

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13. INCOME TAXES

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

	Year ended July 31, 2016	Year ended July 31, 2015
	\$	\$
Net loss before tax	156,508	4,226,410
Statutory tax rate	26.0%	26.0%
Expected income tax recovery at the statutory tax rate	(40,692)	(1,098,867)
Non-deductible items	(9,547)	(9,428)
Foreign tax rate difference	(396)	(301,138)
Change in deferred tax asset not recognized	50,635	1,409,433
Income tax expense	-	-

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

	July 31, 2016	July 31, 2015
	\$	\$
Non-capital loss carry-forwards – Canada	691,442	648,893
Non-capital loss carry-forwards – US	42,929	39,778
Mineral properties	1,273,029	1,273,029
Other	21,209	16,274
	2,028,609	1,977,974

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13. INCOME TAXES (Continued)

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

	Canadian non-capital losses	US non-capital losses
	\$	\$
2026	10,228	-
2027	73,564	-
2028	2,780	-
2029	241,781	-
2030	71,222	-
2031	68,791	-
2032	304,089	27,176
2033	606,596	22,380
2034	635,090	66,480
2035	481,603	959
2036	163,648	9,269
	<u>2,659,392</u>	<u>126,264</u>

14. SUBSEQUENT EVENT

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.