

BELGRAVIA
CAPITAL INTERNATIONAL

(formerly IC Potash Corp.)

2017

**Consolidated
Financial Statements**

for the year ended December 31, 2017

(Audited – Expressed in CAD dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Belgravia Capital International Inc. (formerly IC Potash Corp.)

We have audited the accompanying consolidated financial statements of Belgravia Capital International Inc. (formerly IC Potash Corp.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Belgravia Capital International Inc. (formerly IC Potash Corp.) as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 28, 2018



BELGRAVIA CAPITAL INTERNATIONAL INC. (formerly IC Potash Corp.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in CAD Dollars)

	2017	2016 (note 19)
EXPENSES		
Administration (note 13)	\$ 275,707	\$ 279,833
Business and market development	585,666	269,175
Consulting fees (note 13)	292,342	603,548
Depreciation (note 5)	6,384	44,146
Fundraising activities	507,917	287,525
Foreign exchange (gain) loss	(17,292)	88,402
Investor relations	282,528	151,586
Professional fees	419,814	236,678
Regulatory fees	90,331	64,886
Rent and storage	63,191	76,541
Royalties and property leases	-	377,254
Share-based compensation (notes 11,13)	323,577	389,173
Travel	138,841	75,872
Wages and benefits (note 13)	1,217,346	1,391,381
Operating loss	(4,186,352)	(4,336,000)
Loss on asset disposal	-	(537)
Finance costs (note 12)	(874,851)	(3,343,827)
Gain on deconsolidation of ICP(USA) (note 3)	1,498,759	-
Deconsolidation adjustment (note 3)	(10,137,668)	-
Gain on disposal of ICP(USA) (note 3)	3,497,200	-
Impairment of Ochoa property (note 5)	-	(53,556,935)
Interest income	4,363	1,929
Miscellaneous income	22,530	-
Unrealized investment gain (note 4)	782,914	-
Derivative gain (loss) (note 11)	986,454	(248,686)
Loss for the year	(8,406,651)	(61,484,056)
Other comprehensive income (loss)		
Cumulative translation amount reclassified to profit or loss (note 3)	10,137,668	-
Cumulative translation adjustment	(24,400)	(2,642,685)
Comprehensive income (loss) for the year	\$ 1,706,617	\$ (64,126,741)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.33)
Weighted average number of common shares		
outstanding, basic and diluted	227,617,272	185,698,153

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

BELGRAVIA CAPITAL INTERNATIONAL INC. (formerly IC Potash Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in CAD Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (8,406,651)	\$(61,484,056)
Items not affecting cash:		
Depreciation	6,384	44,146
Deconsolidation adjustment	10,137,668	-
Derivative (gain) loss	(986,454)	248,686
Finance costs	874,851	3,343,827
Gain on deconsolidation of ICP(USA)	(1,498,759)	-
Accrued gain on disposal of ICP(USA)	(1,748,600)	-
Impairment of Ochoa property	-	53,556,935
Loss on asset disposal	-	537
Share-based compensation	323,577	389,173
Unrealized foreign exchange gain	(44,466)	-
Unrealized investments gain	(782,914)	-
Changes in non-cash working capital items:		
Increase in receivables	(14,533)	(18,419)
Increase in prepaid expenses	(103,256)	(70,955)
Increase (decrease) in accounts payable and accrued liabilities	430,400	(14,806)
Decrease in employment liability	(287,500)	(600,000)
Net cash used in operating activities	<u>(2,100,253)</u>	<u>(4,604,932)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments	(200,600)	-
Deposit	-	8,858
Disposal of ICP(USA)	(1,100,665)	-
Property, plant and equipment expenditures	(1,369,284)	(4,258,729)
Net cash used in investing activities	<u>(2,670,549)</u>	<u>(4,249,871)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	1,588,218	2,190,930
Proceeds from warrants exercise	143,087	360,000
Common shares issuance costs	(47,044)	(162,591)
Proceeds from issuance of convertible debenture	-	6,713,500
Proceeds from issuance of secured notes	-	3,356,750
Secured notes issuance costs	-	(447,904)
Net cash provided by financing activities	<u>1,684,261</u>	<u>12,010,685</u>
Change in cash for the year	(3,086,541)	3,155,882
Effect of foreign exchange rate changes on cash		-
Cash, beginning of year	4,181,894	1,026,012
Cash, end of year	\$ 1,095,353	\$ 4,181,894

Supplemental disclosure with respect to cash flows (note 14)

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

BELGRAVIA CAPITAL INTERNATIONAL INC. (formerly IC Potash Corp.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in CAD Dollars)

	Share Capital					Total
	Number of Shares	Amount	Reserves	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	
Balances as at December 31, 2015	172,874,654	\$94,642,674	\$ 9,313,519	\$ 11,210,686	\$ (53,349,686)	\$ 61,817,193
Units issued for cash	35,448,891	2,190,930	-	-	-	2,190,930
Warrants exercised	4,500,000	612,550	-	-	-	612,550
Warrant liability	-	(735,262)	-	-	-	(735,262)
Share issuance costs	-	(209,376)	-	-	-	(209,376)
Share-based compensation	-	-	389,173	-	-	389,173
Broker warrants	-	-	46,785	-	-	46,785
Loss and comprehensive loss	-	-	-	(2,642,685)	(61,484,056)	(64,126,741)
Balances as at December 31, 2016	212,823,545	96,501,516	9,749,477	8,568,001	(114,833,742)	(14,748)
Units issued for cash	23,312,141	1,527,140	-	-	-	1,527,140
Stock options exercised	100,000	9,673	(1,673)	-	-	8,000
Warrants exercised	1,788,571	151,429	-	-	-	151,429
Warrant liability	-	(230,595)	-	-	-	(230,595)
Broker warrants exercised	816,589	69,898	(16,820)	-	-	53,078
Share issuance costs	-	(50,688)	3,644	-	-	(47,044)
Share-based compensation	-	-	323,577	-	-	323,577
Loss and comprehensive income (loss)	-	-	-	10,113,268	(8,406,651)	1,706,617
Balances as at December 31, 2017	238,840,846	\$97,978,373	\$10,058,205	\$ 18,681,269	\$(123,240,393)	\$ 3,477,454

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Belgravia Capital International Inc. (“Belgravia” or the “Company”), formerly IC Potash Corp., was incorporated under the Canada Business Corporations Act on November 8, 2002. The Company’s registered office is 82 Richmond Street East, Toronto, ON M5C 1P1. The Consolidated Financial Statements (“Financial Statements”) are comprised of the Company and its subsidiaries. To date, the Company has not earned operating revenue.

During the year ended December 31, 2017, the Company disposed of its interest in a wholly-owned subsidiary which was involved in the development of potash-related minerals. After the disposal, the Company is focusing on investing in and developing various opportunities in the technology, blockchain, artificial intelligence, and cannabis industries.

The Company’s continuation as a going concern is dependent on cash flow from its investments or operations and its ability to raise equity capital or borrowings sufficient to meet current and future obligations. While the Company currently has no source of operating revenue, its working capital of \$3,476,188 at December 31, 2017 combined with financings that occurred after year-end lead management to believe the Company has sufficient capital to fund its business activities and general working capital for the next 12 months. The Company’s financial success is dependent on its ability to identify, evaluate and negotiate investments in assets or businesses. In order to continue as a going concern, the Company may require substantial additional financing, which is subject to a number of factors many of which are beyond the Company’s control. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is currently exploring alternatives to obtain financing. Such alternatives may involve debt, equity or alternative financing structures and may occur at the public company or subsidiary level.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance:

These Financial Statements have been prepared in accordance with IAS 1 ‘Presentation of Financial Statements’ (“IAS 1”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Financial Statements were authorized by the audit committee and board of directors of the Company on February 28, 2018.

b) Basis of presentation:

The Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Financial Statements are in accordance with IFRS.

BELGRAVIA CAPITAL INTERNATIONAL INC. (formerly IC Potash Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Expressed in CAD Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

c) Change in presentation currency

Prior to October 31, 2017 the Company reported its annual and quarterly statements of financial position and the related statements of loss and comprehensive loss, cash flows and changes in equity in United States (“U.S.”) dollars. Effective November 1, 2017, the Company changed its reporting currency to the Canadian (“CAD”) dollar to better reflect the Company’s business activities. As a result, and in accordance with International Accounting Standards (“IAS”) 21 *The Effects of Changes in Foreign Exchange Rates*, the financial statements for all years presented have been translated into CAD dollars. The statements of loss and comprehensive loss and cash flows for each year have been translated in to the presentation currency using the average exchange rate prevailing during each year. All assets and liabilities have been translated using the exchange rate prevailing at the statements of financial position dates. Equity transactions since inception have been translated at the exchange rate in effect on the date of the specific transaction. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company’s results as if they had been historically reported in CAD dollars (note 19).

d) Foreign currency translation

The consolidated financial statements are presented in CAD dollar. Prior to November 1, 2017, the functional currency of the Company and its subsidiaries was the U.S. dollar. The functional currency of the Company and its subsidiaries changed on a prospective basis from the U.S. dollar to the CAD dollar as management determined that the currency of the primary economic environment in which the entities operate changed due to the sale of its interest in the U.S.-based Ochoa project (note 3) and due to future anticipated CAD dollar financings, investments and operating expenses.

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

e) Basis of consolidation:

The Consolidated Financial Statements of the Company include the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership
Intercontinental Potash Corp.	<i>Canada</i>	100%
Trigon Exploration Utah Inc.	<i>USA</i>	100%
ICP Organics Corp.	<i>Canada</i>	100%

The Company consolidates the subsidiaries on the basis that it controls these subsidiaries when the Company possesses power over an investee, has exposure to variable returns from the investee, and has the ability to use its power over the investee to affect its returns. The Company deconsolidated the operations of PolyNatura Corporation (formerly Intercontinental Potash Corp. (USA)) (“ICP(USA)”) in quarter 1 of 2017 (note 3). All intercompany transactions and balances are eliminated on consolidation.

f) Cash:

Cash is comprised of cash deposited at Canadian banks and secure, short-term, highly liquid demand deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

g) Investments

All investments are classified upon initial recognition at fair value through profit or loss ("FVTPL"), with changes in fair value reported in profit (loss). Purchases and sales of investments are recognized on the settlement date. Investments at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income (loss).

Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the FVTPL investments are recognized in profit or loss.

Investments in common shares of public companies are measured at fair value based on published market prices with unrealized gains and losses recognized through profit or loss. The valuation of these shares has been determined in whole by reference to the close price of the shares on the TSX Venture Exchange or Canadian Securities Exchange ("CSE") at each reporting date. Various warrants have been received as attachments to share purchase units and do not trade in an active market. At the time of purchase, the per unit cost is allocated to common shares and warrants using the residual method. The value of the warrants is subsequently determined at the measurement date using the Black-Scholes option pricing model.

All privately-held investments are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may, depending upon the circumstances, be adjusted.

h) Property, plant, and equipment:

Property, plant, and equipment ("PPE") is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use including associated borrowing costs and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Carrying amounts of PPE are depreciated to their estimated residual value over the estimated useful lives of the assets or the related mine or plant if shorter. Where an item of PPE is composed of major components with different useful lives, the components are accounted for as separate items of PPE.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Depreciation is provided using the units of production or the declining balance basis at the following annual rates:

Furniture and fixtures	20% declining balance
Computer equipment	45% declining balance
Other equipment	20% declining balance
Vehicles	30% declining balance
Mining assets	unit of production

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

h) Property, plant, and equipment (cont'd...):

The Company conducts an annual assessment of the residual values, useful lives and depreciation methods being used for PPE and any impairment arising from the assessment is recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

i) Impairment:

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

j) Decommissioning, restoration and similar liabilities ("decommissioning liabilities"):

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the decommissioning of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning liability is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these decommissioning liability costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The decommissioning liabilities of ICP(USA) are no longer reflected in the notes to these Financial Statements as a result of deconsolidating the operations of ICP(USA) (note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

k) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

l) Significant accounting estimates and judgments:

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Assessment of control and significant influence

Classification of investments requires judgment on whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

In March 2017, the Company's representation in the board of ICP(USA) was reduced to a minority position and the Company could no longer control the financial and operational decisions of ICP(USA). The Company's judgment was that it had lost control over ICP(USA) but retained significant influence and therefore equity accounting became appropriate. Accordingly, the Company deconsolidated ICP(USA) in March 2017 and classified its investments in ICP(USA) as an equity investment (note 3).

In October 2017, the Company sold its interest in ICP(USA) back to ICP(USA).

Functional currency

Subsequent to the disposal of ICP(USA), the main business activities of the Company are in Canada and are funded primarily by the CAD dollar. Therefore, the Company determined that the Canadian dollar is the functional currency. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

l) Significant accounting estimates and judgments (cont'd...)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Fair value of private company investments

Where the fair values of investments in private companies recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value and this value may not be indicative of recoverable value.

Valuation of share-based payments and derivative financial assets

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and derivative financial assets (e.g. investments in warrants). Option pricing models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Weight is attached to tax planning opportunities that are within the Company's control and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting year, the Company reassesses unrecognized income tax assets.

m) Investments in associated companies

The Company accounts for its investment in the affiliated company over which it had significant influence on the equity basis of accounting, whereby the investment was initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

n) 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 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 by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fees or other transaction costs are assigned a value based on the Black-Scholes pricing model and included in reserves. When warrants are exercised, any reserves related to those warrants are reclassified from reserves to share capital.

o) Share-based compensation:

The Company's stock option plan allows eligible Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. 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. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized 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 number of stock options that are expected to vest.

p) Loss per share:

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

q) Income taxes:

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

BELGRAVIA CAPITAL INTERNATIONAL INC. (formerly IC Potash Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Expressed in CAD Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

r) Financial assets:

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, AFS, loans and receivables, or at FVTPL.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and investments are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. The Company's deposits were classified as held to maturity.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

s) Financial liabilities:

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has classified the warrant liability as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities, and employment liability are classified as other financial liabilities. Prior to the deconsolidation of ICP(USA), the Company classified its convertible preferred shares and secured notes as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives and derivative warrant liabilities, are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

t) Share capital:

Common shares are classified as share capital. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

BELGRAVIA CAPITAL INTERNATIONAL INC. (formerly IC Potash Corp.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Expressed in CAD Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

u) New standards, amendments and interpretations:

Effective January 1, 2018

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

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

Effective January 1, 2019

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

3. INVESTMENT IN ASSOCIATE

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

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

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3. INVESTMENT IN ASSOCIATE (cont'd...)

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

On March 16, 2017, the Company's investment in ICP(USA) under the equity method was measured at a fair value of \$1. The Company's unrecognized share of the equity loss in ICP(USA) was \$1,912,083, reducing equity investment to \$nil.

At the special shareholder meeting on October 12, 2017 (the "Meeting"), shareholders of the Company approved the special resolution authorizing the transfer all of its common shares of ICP(USA) back to ICP(USA) in return for up to USD\$15 million in accordance with the terms and conditions of the Definitive Agreement. All conditions of the Definitive Agreement were satisfied, and the Settlement was completed in October 2017.

The proceeds of the disposal comprised of two cash payments for a total of \$3,497,200 (US\$2.8 million) and was recorded as a gain on settlement with ICP(USA). The first payment of \$1,748,600 (US\$1.4 million) was received by the Company on October 16, 2017. The second payment of US\$1.4 million is recorded in receivables and was received subsequent to December 31, 2017.

The Company will also receive a water royalty equal to 75% of revenue from the sale of water or water rights from the Ochoa property up to a maximum of US\$12.2 million. If ICP(USA) has not paid the Company the full amount by December 31, 2020, then ICP(USA) will also pay the Company a 1% royalty on production from the Ochoa property for the shortfall.

4. INVESTMENTS

The Company's investments include common shares and warrants of Canadian companies that are listed on various Canadian stock exchanges and an investment in a private company. The fair values of the common shares of the publicly-traded companies have been directly referenced to published price quotations in an active market. The fair value of the investment in the private company is referenced to the most recent equity financing completed by this private company. The investments in warrants of companies that are publicly-traded are valued using the Black-Scholes option pricing model, with the following weighted average assumptions:

	Year ended December 31, 2017	Year ended December 31, 2016
Risk-free interest rate	1.66%	-
Expected life of warrants	1.87 years	-
Annualized volatility	212.35%	-
Dividend rate	0.00%	-

As at December 31, 2017, fair value of the investments were \$983,514 (2016 - \$nil). This includes the value of common shares of \$588,796 (2016 - \$nil) and value of warrants of \$394,718 (2016 - \$nil).

The Company recognized an unrealized investment gain of \$388,196 (2016 - \$nil) for common shares and \$394,718 (2016 - \$nil) for warrants.

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5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Cost	Development Project - Ochoa Property	Furniture and fixtures	Computer equipment	Other equipment	Vehicles	Total
As at December 31, 2015	\$ 77,673,558	\$ 9,469	\$ 153,455	\$ 44,554	\$ 143,106	\$ 78,024,142
Additions	5,348,262	-	2,589	-	-	5,350,851
Disposals	-	-	(9,779)	-	-	(9,779)
Impairment	(53,556,935)	-	-	-	-	(53,556,935)
Translation adjustment	(2,969,386)	(284)	(4,685)	(1,332)	(4,279)	(2,979,966)
As at December 31, 2016	26,495,499	9,185	141,580	43,222	138,827	26,828,313
Additions	1,361,075	-	8,209	-	-	1,369,284
Disposals	-	-	-	-	-	-
Deconsolidation (note 3)	(27,856,574)	(9,185)	(145,120)	(43,222)	(138,827)	(28,192,928)
As at December 31, 2017	\$ -	\$ -	\$ 4,669	\$ -	\$ -	\$ 4,669

Depreciation and impairment

As at December 31, 2015	\$ -	\$ 3,886	\$ 100,513	\$ 30,685	\$ 112,320	\$ 247,404
Additions	-	2,100	26,193	3,753	12,100	44,146
Disposals	-	-	(9,233)	-	-	(9,233)
Translation adjustment	-	(88)	(2,777)	(867)	(3,196)	(6,928)
As at December 31, 2016	-	5,898	114,696	33,571	121,224	275,389
Additions	-	344	616	3,689	1,735	6,384
Deconsolidation (note 3)	-	(6,242)	(111,909)	(37,260)	(122,959)	(278,370)
As at December 31, 2017	\$ -	\$ -	\$ 3,403	\$ -	\$ -	\$ 3,403

Net book value:

As at December 31, 2016	\$ 26,495,499	\$ 3,287	\$ 26,884	\$ 9,651	\$ 17,603	\$ 26,552,924
As at December 31, 2017	\$ -	\$ -	\$ 1,266	\$ -	\$ -	\$ 1,266

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5. PROPERTY, PLANT AND EQUIPMENT (cont'd...)

Impairment

At December 31, 2016, the Company determined there were indicators of potential impairment on its non-current assets, including the decline in the Company's market capitalization, uncertainty of polyhalite future pricing and market used in the 2016 Preliminary Economic Assessment, and the consequential impact on the Company's future cash flows. Based on the Company's assessment of the recoverable amounts of its cash generating unit ("CGU"), the Company concluded that the Ochoa Project had an estimated recoverable value, based on its fair value less costs to sell, below its carrying value and an impairment charge was required. Based on its assessment, the Company recorded during the year ended December 31, 2016 a non-cash impairment charge of \$53,556,935, using a discount rate of 26.6% along with a long-term polyhalite price assumption increasing from US\$162/ton to US\$218/ton over the first 20 years and then fixed at US\$224/ton over the remaining life of the mine.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	\$ 38,730	\$ 530,858
Accrued liabilities	138,000	594,343
Other	33,595	22,355
Total	\$ 210,325	\$ 1,147,556

7. EMPLOYMENT LIABILITY

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

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

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8. DECOMMISSIONING LIABILITIES

	December 31, 2017	December 31, 2016
Current reclamation liability		
Balance beginning of year	\$ 939,890	\$ -
Change in estimate	-	939,890
Deconsolidation (note 3)	(939,890)	-
Balance for current liability	-	939,890
Long-term reclamation obligation		
Balance beginning of year	72,609	257,710
Change in estimate	47	(188,512)
Accretion expense	6,155	3,411
Deconsolidation (note 3)	(78,811)	-
Balance for long-term liability	-	72,609
Balance end of the year	\$ -	\$ 1,012,499

Site Restoration: Ochoa Project – New Mexico

The Company completed drilling two water wells during fiscal 2012. The decommissioning of these water wells and associated drilling pits and drilling pads in New Mexico was subject to legal and regulatory requirements. The drilling pits were reclaimed and decommissioned in fiscal 2014 at a cost of \$330,107. Estimates of the costs of decommissioning were calculated based on guidance from the New Mexico Department of Energy Minerals and Natural Resources, Mining and Minerals Division. Estimates of the costs of decommissioning were reviewed periodically by authorized officers of the Company. The long-term liability represented the Company's best estimate of the present value of future decommissioning costs, discounted at 5%.

In order to eliminate the ongoing monitoring costs associated with the test holding pond, the Company has decided to close the related pond in 2017. The estimated cost for closing the pond was US\$700,000.

As at December 31, 2016, the undiscounted amount of estimated future decommissioning costs based on today's costs with 3% inflation after 3 years of development and 42 years potential production was US\$529,423. Decommissioning costs were expected to be incurred in 2061.

9. SHARE CAPITAL AND RESERVES

Common shares

Authorized: The Company is authorized to issue an unlimited number of common shares without par value.

Refer to the Consolidated Statements of Changes in Shareholders' Equity (Deficiency) for a summary of changes in share capital and reserves for the year ended December 31, 2017. Reserves relate to stock options and warrants that have been issued by the Company (note 11).

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9. SHARE CAPITAL AND RESERVES (cont'd...)

Common shares (cont'd...)

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

- On January 24, 2017, the Company issued 200,000 shares at \$0.08 for gross proceeds of \$16,000 pursuant to the exercise of warrants (note 11).
- On March 1, 2017, the Company issued 6,573,333 units pursuant to a non-brokered offering at \$0.105 per unit for gross proceeds of \$690,200. Each unit consists of one common share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for \$0.16 per share until March 1, 2018, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds \$0.21 for 18 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. In November 2017, the exercise price of these warrants was amended to be \$0.08 per share.
- On April 5, 2017, the Company issued 31,500 shares at \$0.065 for gross proceeds of \$2,047 pursuant to the exercise of broker warrants (note 11).
- On May 2, 2017, the Company issued 785,089 shares at \$0.065 for gross proceeds of \$51,031 pursuant to the exercise of broker warrants (note 11).
- On June 27 and June 28, 2017, the Company issued an aggregate of 16,738,808 units pursuant to a non-brokered offering at \$0.05 per unit for gross proceeds of \$836,940. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for \$0.08 per share until June 27 and June 28, 2018, provided that if, at any time after the date which is four months and one day following the closing date, the volume weighted average price of the common shares is equal to or exceeds \$0.18 for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. The Company issued 280,000 broker warrants entitling the broker to acquire one common share for a period of 12 months at an exercise price equal to \$0.06 per share with a fair value of \$3,644 (note 11).
- On December 11, 2017, the Company issued 100,000 shares at \$0.08 for gross proceeds of \$8,000 pursuant to the exercise of stock options (note 11).
- On December 12, 2017, the Company issued 1,488,571 shares at \$0.08 for gross proceeds of \$119,088 pursuant to the exercise of warrants (note 11).
- On December 27, 2017, the Company issued 100,000 shares at \$0.08 for gross proceeds of \$8,000 pursuant to the exercise of warrants (note 11).

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9. SHARE CAPITAL AND RESERVES (cont'd...)

Common shares (cont'd...)

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

- On May 20, 2016, the Company issued 18,498,891 units pursuant to a non-brokered offering, made of 17,998,891 units at \$0.045 and 500,000 units at \$0.05 per unit (issued to a Director of the Company) for gross proceeds of \$834,930. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for \$0.08 per share until May 20, 2017. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of \$38,496 (equal to 7% if the gross proceeds raised by such finders). The Company also issued an aggregate of 855,478 broker warrants to qualified eligible persons (equal to 7% of the aggregate number of units sold by such finders), each such broker warrant entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to \$0.065 per share with a fair value of \$17,621 (note 11).
- On November 7, 2016, the Company issued 4,500,000 shares at \$0.08 pursuant to the exercise of warrants.
- On December 14, 2016, the Company issued 16,950,000 units at \$0.08 pursuant to a non-brokered offering, for gross proceeds of \$1,356,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitled the holder to acquire one common share of the Company for \$0.11 per share until December 14, 2017, provided that if, at any time after the date which is four months and one day following the Closing Date, the volume weighted average price of the common shares is equal to or exceeds \$0.18 for 20 consecutive trading days, the Company may accelerate the expiry date of the warrants, in which event the warrants will expire upon the date (the "Accelerated Expiry Date") which is 30 days following of a press release by the Company announcing the Accelerated Expiry Date. In November 2017, the exercise price of these warrants was amended to be \$0.08 per share and the expiry date was extended to March 1, 2018. The Company paid finder's fees to certain qualified eligible persons assisting the Company in the offering in the aggregate amount of \$85,680. The Company also issued an aggregate of 1,071,000 broker warrants to qualified eligible persons, each such broker warrant entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to \$0.11, with a fair value of \$29,164 (note 11).

Convertible preferred shares

Authorized: ICP(USA) is authorized to issue:

- 500,000 Series A Preferred Shares for US\$ 10,000,000
- 250,000 Series B Preferred Shares for US\$ 5,000,000
- 1,750,000 Series C Preferred Shares for US\$ 35,000,000

In 2016, ICP(USA) issued 250,000 convertible Series B Preferred Shares for gross proceed of US\$ 5,000,000 to Cartesian Capital Group, LLC ("Cartesian"). Under the terms of the Securities Purchase Agreement signed on February 29, 2016, Cartesian is entitled to appoint two members to the board of directors of ICP(USA). The Series B Preferred Shares bear a 12% dividend rate and mature on February 28, 2018, at which point they can be redeemed by the holder for the purchase price plus accrued dividends or converted into an additional non-diluted 21.1% interest of the common shares of ICP(USA).

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9. SHARE CAPITAL AND RESERVES (cont'd...)

Convertible preferred shares (cont'd...)

On November 25, 2014, ICP(USA) issued 500,000 convertible Series A Preferred Shares at a purchase price of US\$ 10,000,000 to Cartesian. The Series A Preferred Shares accrue dividends at a rate of 12% per year and were to mature on November 25, 2016, at which time they could be redeemed by the holder for the purchase price plus accrued dividends or converted into a non-diluted 7.8% interest of the common shares of ICP(USA). The terms of the Series A Preferred Shares were amended in February 2016 to extend the maturity date of the Series A Preferred Shares from November 25, 2016 to February 28, 2018 and to increase the dividend rate from 12% to 15% effective on February 29, 2016.

Since the Preferred Shares contain a contractual obligation whereby ICP(USA) can be required to repay the Preferred Share proceeds, they were considered a financial liability. In addition, the conversion features were considered embedded derivatives.

The Series A Preferred Shares were accounted for using the effective interest rate method. The effective interest rate of the Series A Preferred Share debt was 19% (2016 - 19%).

The Series B Preferred Shares were accounted for using the effective interest rate method. The effective interest rate of the Series B Preferred Share debt was 12% (2016 – 12%).

Upon initial recognition, the fair value of the embedded derivatives were determined to be immaterial using the Black-Scholes pricing model. The embedded derivatives are revalued at each reporting period. At December 31, 2016, the embedded derivatives were determined to be immaterial using the following Black-Scholes pricing model weighted average assumptions:

	December 31, 2016
Share price	\$0.06
Exercise price	\$0.33
Risk-free interest rate	0.85%
Expected life	1.16 years
Expected volatility	105.48%

The embedded derivatives were a level three financial liability.

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9. SHARE CAPITAL AND RESERVES (cont'd...)

Convertible preferred shares (cont'd...)

Convertible preferred shares transactions are summarized as follows:

	Series A	Series B	Total
Balance as at December 31, 2015	\$ 14,834,529	\$ -	\$ 14,834,529
Amount at date of issue	-	6,713,500	\$ 6,713,500
Amortization of issuance costs	426,314	-	426,314
Accrued dividends payable	2,190,023	229,125	2,419,148
Translation adjustment	(407,333)	3,096	(404,237)
Balance as at December 31, 2016	17,043,533	6,945,721	23,989,254
Amortization of issuance costs	68,492	-	68,492
Accrued dividends payable	515,763	163,098	678,861
Deconsolidation (note 3)	(17,627,788)	(7,108,819)	(24,736,607)
Balance as at December 31, 2017	\$ -	\$ -	\$ -

10. SECURED NOTES

Pursuant to the terms of the Securities Purchase Agreement signed on February 29, 2016 (the “SPA”) between ICP(USA), Cartesian, and two entities controlled by Cartesian, Cartesian agreed to make an aggregate investment of up to US\$ 45 million in ICP(USA). In 2016, Cartesian financed US\$ 5 million in new convertible Series B Preferred Shares of ICP(USA) (note 9) and US\$ 2.5 million in senior Secured Notes issued by ICP(USA). The SPA expired during 2016.

Under the terms of the SPA, ICP(USA) completed a draw of \$USD 2.5 million in 2016 through the issuance of Secured Notes. The Secured Notes bear interest at 11% per annum and have an effective interest rate of 19%.

The Secured Notes are secured by a first priority security interest in all of the assets of ICP(USA), including ICP(USA)’s interest and rights in the Ochoa Project.

Cartesian had certain protective provisions and contractual rights to, among other things, appoint 2 of the 5 directors of ICP(USA) and co-approve a third board member, participate in future financings on an anti-dilutive basis, and approve certain subsequent debt and equity financings and certain other activities of ICP(USA).

The outstanding principal balance of the Secured Notes, together with any accrued and unpaid interest and all other unpaid obligations, was set to be due on February 28, 2018. All or any part of the outstanding balance of the Secured Notes may be prepaid at any time without penalty with prior written notice. Upon the occurrence of certain standard events of “default”, all amounts then remaining unpaid on the Secured Notes may be declared to be immediately due and payable.

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10. SECURED NOTES (cont'd...)

Balance as at December 31, 2014 and 2015	\$	-
Secured notes		3,356,750
Issuance costs		(460,259)
Amortization of issuance costs		190,359
Accrued interest		304,595
Translation adjustment		6,688
<hr/>		
Balance as at December 31, 2016		3,398,133
Amortization of issuance costs		46,590
Accrued interest		74,753
Deconsolidation on March 16, 2017 (note 3)		(3,519,476)
<hr/>		
Balance as at December 31, 2017	\$	-

11. STOCK OPTIONS AND WARRANTS

Stock options

The Company has an incentive stock option plan (the “Plan”) whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue less any discount allowed by the stock exchange upon which the common shares are listed. The Plan provides for the issuance of up to 10% of the Company’s issued common shares as at the date of grant with each stock option having a maximum term of ten years. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

As at December 31, 2017, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options	Exercise Price	Average Contractual Life Remaining (years)	Expiry Date
300,000	\$ 0.10	0.08	January 30, 2018 (*)
400,000	0.08	0.25	March 31, 2018
200,000	0.09	0.25	March 31, 2018
250,000	0.08	1.53	July 12, 2019
250,000	0.12	1.87	November 14, 2019
500,000	0.10	1.90	November 24, 2019
1,850,000	0.10	2.12	February 14, 2020
200,000	0.10	2.17	March 1, 2020
9,250,000	0.08	3.43	June 6, 2021
300,000	0.08	3.53	July 12, 2021
3,900,000	0.10	4.13	February 14, 2022
<hr/>			
17,400,000			

(*) Exercised subsequently

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11. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock options (cont'd...)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2015	7,389,245	\$ 0.63
Cancelled/expired	(7,359,245)	0.63
Granted	<u>11,750,000</u>	0.08
Outstanding December 31, 2016	11,780,000	0.08
Cancelled/expired	(530,000)	0.12
Exercised	(100,000)	0.08
Granted	<u>6,250,000</u>	0.10
<u>Outstanding December 31, 2017</u>	<u>17,400,000</u>	<u>\$ 0.09</u>
<u>Number of options exercisable at December 31, 2017</u>	<u>17,400,000</u>	<u>\$ 0.09</u>

During the year ended December 31, 2017 the Company granted 6,250,000 (2016 – 11,750,000) stock options to consultants, officers, employees and directors of the Company. All options vested at the grant date.

The fair value of the options granted, as determined by the Black-Scholes option pricing model, was \$323,577 (2016 - \$389,173) or \$0.05 per option (2016 - \$0.03).

Share-based compensation recognized during the year was \$323,577 (2016 - \$389,173).

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2017:

	Year ended December 31, 2017	Year ended December 31, 2016
Risk-free interest rate	1.07%	0.67%
Expected life of options	3.57 years	4.13 years
Annualized volatility	66.92%	62.52%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

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11. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants

As at December 31, 2017, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Average Contractual Life Remaining	Expiry Date
18,648,095	\$ 0.08	0.16 years	March 1, 2018
12,360,000	0.08	0.49 years	June 27, 2018
4,378,808	0.08	0.49 years	June 28, 2018
35,386,903			

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at December 31, 2015	10,000,000	\$ 0.35
Issued on May 20, 2016	18,498,891	0.08
Issued on December 14, 2016	16,950,000	0.11
Exercised	(4,500,000)	0.08
Expired	(240,000)	0.35
Amended (old) exercise price	(9,760,000)	0.35
Amended (new) exercise price	<u>9,760,000</u>	0.11
Outstanding as at December 31, 2016	40,708,891	0.10
Issued on March 1, 2017 (note 9)	3,286,666	0.16
Issued on June 27, 2017 (note 9)	12,360,000	0.08
Issued on June 28, 2017 (note 9)	4,378,808	0.08
Exercised	(1,788,571)	0.08
Expired	(23,558,891)	0.09
Amended (old) expiry date in May 2017	(13,298,891)	0.08
Amended (new) expiry date in May 2017	13,298,891	0.08
Amended (old) price and expiry date in December 2017	(16,950,000)	0.11
Amended (new) price and expiry date in December 2017	16,950,000	0.08
Amended (old) exercise price in December 2017	(3,286,666)	0.16
Amended (new) exercise price in December 2017	<u>3,286,666</u>	0.08
Outstanding December 31, 2017	35,386,903	\$ 0.08
Number of warrants exercisable as at December 31, 2017	35,386,903	\$ 0.08

Prior to November 1, 2017, the warrants were considered a derivative liability since the obligation to issue shares was not fixed in the Company's functional currency. The derivative warrant liability was measured at fair value at issue with subsequent changes recognized in the statement of loss and comprehensive loss. A \$986,454 (2016 – a warrant derivative loss of \$248,686) for warrant derivatives gain was recorded in the statement of loss and comprehensive loss up until October 31, 2017 when the Company changed its functional currency. After November 1, 2017, the Company's functional currency is the same with the warrant currency, and therefore the Company does not have a warrant liability.

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11. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants (cont'd...)

	Number of warrants	Warrant liability
Balance, January 1, 2016	10,000,000	\$ 5,658
Warrants issued on May 20, 2016	18,498,891	315,305
Warrants issued on December 14, 2016	16,950,000	419,957
Exercised	(4,500,000)	(252,550)
Expired	(240,000)	-
Change in fair value	-	248,686
Translation adjustment	-	27,144
Balance, December 31, 2016	40,708,891	764,200
Warrants issued on March 1, 2017	3,286,666	73,249
Warrants issued on June 27, 2017	12,360,000	109,037
Warrants issued on June 28, 2017	4,378,808	48,309
Exercised on March 1, 2017	(200,000)	(8,341)
Expired	(23,558,891)	-
Warrant derivative gain	-	(986,454)
Exercised after October 31, 2017	(1,588,571)	-
Balance, December 31, 2017	35,386,903	\$ -

The following weighted average assumptions were used for the Black-Scholes valuation of the derivative warrant liabilities for the years ended December 31:

	December 31 2017	December 31 2016
Risk free rate	0.93%	0.71%
Expected term of liability	1 year	0.79 year
Annualized volatility	86.10%	88.60%
Dividend rate	0.00%	0.00%

Broker warrants

During year ended December 31, 2017, the Company issued 280,000 (2016 – 1,926,478) broker warrants entitling the holder to acquire one common share for a period of 12 months at an exercise price equal to \$0.06 (2016 - \$0.065-\$0.11).

As at December 31, 2017, the Company had broker warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Average Contractual Life Remaining	Expiry Date
280,000	\$ 0.06	0.49 years	June 27, 2018
280,000		0.49 years	

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11. STOCK OPTIONS AND WARRANTS (cont'd...)

Broker warrants (cont'd...)

Broker warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at December 31, 2015	-	\$ -
Issued May 20, 2016	855,478	0.065
Issued December 14, 2016	1,071,000	0.11
Outstanding as at December 31, 2016	1,926,478	0.09
Issued June 27, 2017	280,000	0.06
Exercised	(816,589)	0.065
Expired	(1,109,889)	0.11
Outstanding as at December 31, 2017	280,000	\$ 0.06

The fair value of the broker warrants granted, as determined by the Black-Scholes option pricing model, was \$3,644 (2016 - \$46,785) or \$0.01 per broker warrant (2016 - \$0.02)

The following weighted-average assumptions were used for the Black-Scholes valuation of broker warrants granted during the year ended December 31:

	December 31 2017	December 31 2016
Risk free rate	0.97%	0.71%
Expected life of broker warrants	1 year	1 year
Annualized volatility	81.78%	89.27%
Dividend rate	0.00%	0.00%

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12. FINANCE COSTS

During the year ended December 31, 2017, the Company incurred the following finance expenses:

	December 31, 2017	December 31, 2016
Amortization of issuance costs - preferred shares Series A (note 9)	\$ 68,492	\$ 426,314
Accrued dividends payable on preferred shares Series A (note 9)	515,763	2,190,023
Amortization of issuance costs - secured notes (note 10)	46,590	190,359
Accrued interests on the secured notes (note 10)	74,753	304,595
Accrued dividends payable on preferred shares Series B (note 9)	163,098	229,125
Accretion on decommissioning liabilities (note 8)	6,155	3,411
	<u>\$ 874,851</u>	<u>\$ 3,343,827</u>

13. RELATED PARTY TRANSACTIONS AND BALANCES

The accounts payable and accrued liabilities of the Company include the following amounts due to related parties:

	December 31, 2017	December 31, 2016
Key management personnel	\$ 83,370	\$ 1,024
	<u>\$ 83,370</u>	<u>\$ 1,024</u>

Included in prepaid expenses are the following amounts advances to related parties:

	December 31, 2017	December 31, 2016
Key management personnel	\$ 106,749	\$ nil
	<u>\$ 106,749</u>	<u>\$ nil</u>

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13. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd...)

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

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

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

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

See also Notes 3 and 7.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplemental disclosure with respect to cash flows	Year ended	
	December 31, 2017	December 31, 2016
Broker warrants issued as finders' fees	\$ 3,644	\$ 46,785
Development project costs included in accounts payable	\$ -	\$ 994,848
Reclamation obligation	\$ -	\$ 751,378
Warrant liability	\$ 230,595	\$ 735,262
Reversal of warrant liability upon exercise	\$ 8,341	\$ 252,550
Reversal of reserves upon exercise of stock options	\$ 1,673	\$ -
Reversal of reserves upon exercise of broker warrants	\$ 16,820	\$ -

15. COMMITMENTS

The commitments of ICP(USA) are no longer reflected in the notes to these Financial Statements (note 3).

16. SEGMENTED INFORMATION

Geographical information of the Company's capital assets is as follows:

Property, plant, and equipment	Canada	USA	Total
December 31, 2016	\$ 2,409	\$ 26,550,515	\$ 26,552,924
December 31, 2017	\$ 1,266	\$ -	\$ 1,266

17. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to invest to earn a risk-appropriate return for shareholders. The Company does not have any externally imposed capital requirements to which it is subject. The capital of the Company consists of items in shareholders' equity (deficiency). The Company had no bank indebtedness at December 31, 2017. The Board of Directors do not establish quantitative return on capital criteria for management, but rather rely on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in available funds, economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, borrow money, or dispose of assets to adjust the amount of cash.

The Company's investment policy is to invest its cash necessary to fund operations for the next 12 months in demand investment instruments in high credit quality financial institutions to provide liquidity over the expected time of expenditures from continuing operations. The Company may also invest some of its excess cash in the common shares and other securities of private and public companies.

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2017.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

Financial instruments

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

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial instruments (cont'd...)

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

Liquidity risk

As at December 31, 2017, the Company had a cash balance of \$1,095,353 to settle current liabilities of \$622,825. The Company is not subject to significant liquidity risk. Subsequent to December 31, 2017, the Company raised approximately \$6.7 million in equity financing.

Interest rate risk

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

Foreign currency risk

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

Equity Price risk

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

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19. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY

For comparative purposes, the statement of financial position as at December 31, 2016 and January 1, 2016 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to CAD dollars. The amounts previously reported in U.S. Dollars as shown below have been translated into CAD dollars at the December 31, 2016 and January 1, 2016 exchange rate of 1.3427 USD:CAD and 1.3840 USD:CAD respectively.

As at January 1, 2016	As previously reported in USD	As translated at rate of 1.384
Current assets	\$ 792,300	\$ 1,096,543
Non-current assets	56,410,700	78,072,409
TOTAL ASSETS	57,203,000	79,168,952
Current liabilities	1,628,513	2,253,862
Non-current liabilities	10,908,885	15,097,897
TOTAL LIABILITIES	\$ 12,537,398	\$ 17,351,759
As at December 31, 2016	As previously reported in USD	As translated at 1.3427
Current assets	\$ 3,233,557	\$ 4,341,697
Non-current assets	19,851,938	26,655,197
TOTAL ASSETS	23,085,495	30,996,894
Current liabilities	2,645,152	3,551,646
Non-current liabilities	20,451,327	27,459,996
TOTAL LIABILITIES	\$ 23,096,479	\$ 31,011,642

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19. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY (cont'd...)

For comparative purposes, the consolidated statements of operations and comprehensive loss for the year ending December 31, 2016 includes adjustments to reflect the change in accounting policy resulting from the change in presentation currency to CAD dollars. The amounts previously reported in U.S. dollars as shown below have been translated into CAD dollars at the average exchange rate of 1.3248 with the exception of impairment of Ochoa property. The effect of the translation is as follows:

Year ended December 31, 2016	As previously reported in USD	As translated at average rate of 1.3248
Expenses		
Administration	\$ 211,226	\$ 279,833
Business and market development	203,181	269,175
Consulting fees	455,575	603,548
Depreciation	33,321	44,144
Fundraising activities	217,033	287,527
Foreign exchange gain	60,025	79,521
Investor relations	114,421	151,586
Professional fees	178,651	236,678
Regulatory fees	48,978	64,886
Rent and storage	57,775	76,541
Royalties and rents	284,762	377,254
Share-based compensation	300,462	398,054
Travel	57,270	75,872
Wages and benefits	1,050,253	1,391,381
Operating loss	(3,272,933)	(4,336,000)
Interest income	1,464	1,929
Derivative adjustments	(187,715)	(248,686)
Finance costs	(2,524,021)	(3,343,827)
Loss on asset disposal	(405)	(537)
Impairment of Ochoa property	(40,426,247)	(53,556,935)
Loss for the year	(46,409,857)	(61,484,056)
Other comprehensive loss		
Currency translation adjustment	-	(2,642,685)
Comprehensive loss for the year	\$ (46,409,857)	\$ (64,126,741)

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20. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2017, was based on the loss attributable to common shareholders of \$8,406,651 (2016 – \$61,484,056) and the weighted average number of common shares outstanding of 227,617,272 (2016 – 185,698,153). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive.

21. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss for the year	\$ (8,406,651)	\$ (61,484,056)
Expected income tax (recovery)	\$ (2,186,000)	(15,987,000)
Change in statutory, foreign tax, foreign exchange rates and other	16,000	(8,551,000)
Impact of future tax rate	(272,000)	-
Permanent difference	1,519,000	178,000
Disposal of subsidiary	48,228,000	-
Share issue costs	(43,000)	(44,000)
Adjustment to prior years provision versus statutory returns	-	6,367,000
Change in unrecognized deductible temporary differences	(47,262,000)	18,037,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been recognized on the consolidated statement of financial position are as follows:

	2017	2016
Deferred tax assets (liabilities)		
Mineral property	\$ 40,000	\$ 25,186,000
Property and equipment	13,000	3,000
Share issue costs	330,000	164,000
Debt with accretion	-	1,564,000
Non-capital losses available for future period	26,113,000	46,841,000
	26,496,000	73,758,000
Unrecognized deferred tax assets	(26,496,000)	(73,758,000)
Net deferred tax assets	\$ -	\$ -

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21. INCOME TAXES (cont'd...)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary differences				
Mineral property	\$ -	No expiry date	\$62,542,000	No expiry date
Investment tax credit	40,000	2026 to 2027	40,000	2026 to 2027
Property and equipment	14,000	No expiry date	12,000	No expiry date
Share issue costs	330,000	2018 to 2021	631,000	2017 to 2020
Debt with accretion	-	No expiry date	3,890,000	No expiry date
Non-capital losses available for future period	28,976,000	2026 to 2037	125,921,000	2026 to 2036
Canada	27,304,000	2026 to 2037	26,489,000	2026 to 2036
USA	1,672,000	2028 to 2037	99,432,000	2028 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

22. SUBSEQUENT EVENTS

1. On January 5, 2018 the Company received the second payment from the Settlement Agreement with ICP(USA) of \$1,776,403 (US\$ 1.4 million) (note 3).
2. On January 10, 2018, the Company completed a private placement and raised gross proceeds of \$6,699,500 through the issuance of 133,990,000 units at a price of \$0.05 per unit, with each unit consisting of one common share of the Company and one common share purchase warrant with each warrant entitling the holder thereof to acquire one common share of the Company at an exercise price of \$0.18 per share until January 10, 2019.
3. In January 2018, the Company granted 10,900,000 stock options with an exercise price of \$0.18 and 7,900,000 options at an exercise price of \$0.14.
4. In February 2018, the Company granted 100,000 stock options with an exercise price of \$0.13
5. In January 2018, the Company raised gross proceeds of \$2,642,410 by issuing 32,650,120 shares pursuant to the exercise of stock options, warrants and broker warrants.
6. In February 2018, the Company raised gross proceeds of \$61,895 by issuing 773,690 shares pursuant to the exercise of warrants.