

## **GENSOURCE PROVIDES PROJECT FINANCE UPDATE FOR THE VANGUARD ONE PROJECT**


**SASKATOON, Saskatchewan – FEBRUARY 26, 2018 – Gensource Potash Corporation** (“**Gensource**” or the “**Company**”) (**TSX-V: GSP**) is pleased to provide an update on the project finance process for its Vanguard One project near Tugaske and Eyebrow, SK.

Gensource has been focused on creating a project finance package for its Vanguard One project (the “**Project**” or “**Vanguard One**”) since receiving its determination of “not a development” from the Saskatchewan Ministry of Environment in August 2018. The environmental approval was the final milestone required to move the Project into the detailed financing and construction phase.

An exhaustive approach to reviewing all available capital structures has been taken, focusing on capital efficiency, cost, and uptake by the financial market. The sources reviewed included senior secured debt, equity, streams, royalties, subordinated debt, mezzanine debt and other forms of debt with equity conversion options attached. A capital structure has been selected that most likely provides the best solution for Vanguard One, consisting of senior secured debt (“**Senior Debt**”, provided by “**Senior Lender(s)**”) + subordinated debt (“**Sub-Debt**” provided by “**Sub-Debt Provider(s)**”) + equity (“**Equity**”, provided by “**Equity Investor(s)**”). In general, the target for Senior Debt component is 55 – 60% of the capital structure, Sub-Debt is targeted at 15 – 20% and equity makes up the remaining 25 - 30%. The final breakdown of the capital structure will be a function of negotiations with the various entities and completion of the detailed due diligence process.

While progress has been made on all fronts, Gensource has communicated previously that the Senior Debt component of the capital structure was pivotal to the financing. With Senior Debt confirmed, the financing becomes much more certain and the other components of the structure can fall in place. Senior debt will rely on the economic strength of the project itself as well as the strength of the off-take agreement in place between Gensource and its off-take partner. The Company will not rely on government loan guarantees or government cash injections to support the project as is occurring for other potash projects in other regions around the world (notably the UK and Australia).

Gensource is delighted to advise that it has created three viable options and obtained three sustainable proposals for the provision of Senior Debt to the Project. Each of the options is unique but each can provide the required Senior Debt. These proposals originate from Senior Lenders which range from large, established European Banks to non-bank fund lenders based in the United



States, and are currently non-binding and rely on the completion of the detailed due diligence process. Over the next weeks, Gensource will work with the Senior Lenders to further refine proposal details and the Company will ultimately select the most viable proposal with which to proceed.

The detailed approach to Sub-Debt depends on the chosen Senior Debt provider. The larger established banks will coordinate the Sub-Debt as part of their financing work while the private lenders will rely on their own network of parties interested in Sub-Debt business. In either case, Sub-Debt is an important piece of the capital structure and will be coordinated in conjunction with the chosen Senior Lender.

With respect to Equity, the Company has taken the approach of engaging a single anchor equity investor (“**Anchor Equity Investor**”) to lead the equity component of the capital structure. Gensource is in discussions with certain large and credible groups that can act as the Anchor Equity Investor and the Company has been provided with preliminary terms by these groups. The terms will have to be refined once the Senior Debt details are known to ensure alignment of the capital structure. The Company has, however, engaged additional strategic Equity Investors to complement the chosen Anchor Equity Investor. This approach allows the Company to diversify the investor base and provide the opportunity for further local and Saskatchewan content in the project. The details of the project equity investments will not be determined until the Senior Lender is chosen and terms are agreed with both Senior Debt and Sub-Debt Providers. A driving criterion for the Company is to provide existing Gensource shareholders with the opportunity to maximize the value of their current investment and the opportunity to continue to participate in value creation as this unique business opportunity develops. Additionally, some of the equity raised at this project financing will be dedicated to advancing the second module (currently referred to as Vanguard Two), to ensure that it moves into its next stage of development smoothly and efficiently.

The company is proud to report that the capital structure for Vanguard One is being finalized. As the entire structure is defined for Vanguard One, the Company will communicate further accretive equity opportunities to existing and future shareholders.

Mike Ferguson, Gensource’s President & CEO, commented “We are excited to be so close to finalizing the financing for Vanguard One. In our meetings and discussions over the past months, we have found that the financial markets, in general terms, are not familiar with the potash industry. In fact, no new potash projects have been financed on a non-recourse project finance basis without the backing of a large corporate or government entity and its balance sheet.

However, we have attracted potential partners for both debt and equity that are very knowledgeable and keen to participate in the unique Gensource business model because of its efficient and very low-cost production capability, a strong offtake agreement and the project's extremely low environmental footprint. This truly is another first for Vanguard and speaks to the strength of the project."

## **About Gensource**

Gensource is based in Saskatoon, Saskatchewan and is focused on developing the next potash production facility in that province – but with a radically and fundamentally different approach. Gensource's President & CEO, Mike Ferguson, P.Eng., has assembled a management and technical team with direct and specific expertise and experience in potash development in Saskatchewan.

Gensource operates under a business plan that has two key components: (1) vertical integration with the market to ensure that all production capacity built is directed, and pre-sold, to a specific market, eliminating market-side risk; and (2) technical innovation which will allow for a small *and* economic potash production facility, which is much friendlier to the environment to construct and operate - the output of which can then be directed to a single, specific market.

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