

GENSOURCE ANNOUNCES RESULTS OF A PEA FOR ITS VANGUARD PROJECT

SASKATOON, Saskatchewan – May 31, 2016 – Gensource Potash Corporation (“**Gensource**” or the “**Company**”) (**TSX.V: GSP**) is pleased to announce the completion of a Preliminary Economic Assessment (“**PEA**”) for its Vanguard Potash Project (“**Vanguard**”, or “**Project**”) in Saskatchewan. The Vanguard area is the subject of an Asset Purchase Agreement (“**APA**”) with Yancoal Canada Resources and the APA is subject to closing conditions as set out in Gensource’s news release dated 06Apr2016. The PEA was completed in compliance with NI 43-101 Standards of Disclosure for Mineral Projects (“**43-101**”, or “**Technical Report**”).

As stated in the recommendations of the initial Vanguard Technical Report, announced 28Apr2016, the key next step for Vanguard was to complete a PEA. Gensource is pleased to announce today the completion of the PEA and the next stages of project development: upgrading the resource and completing a preliminary feasibility study.

The PEA was prepared by Innovare Technologies Ltd. (**Innovare**), in conjunction with ENGCAMP Engineering and Computing Professionals Inc. (**ENGCAMP**), of Saskatoon. The geological and resource estimate components of the PEA remain unchanged from the 28Apr2016 Resource Estimate Technical Report, as completed by Terra Modelling Services Inc.

The PEA formalizes the conceptual engineering design for the Vanguard project, and ultimately becomes the prototype for Gensource’s small scale production facilities with a target production rate of 250,000 t/a. Based on the engineering analysis, an AACE (Association for the Advancement of Cost Engineering) Class 5 capital cost estimate was completed and operating costs were calculated. The basis of the engineering design was the Inferred Mineral Resource as defined in the Resource Estimate announced 28Apr2016. An economic analysis was performed to understand the potential financial performance of this small scale operation.

As background, the Company is developing a small scale production model. The small size is of key importance:

- It allows for vertical integration of the mine with an identified market partner,
- It has the potential for lower capital expenditures (CAPEX) which may be more readily financed in challenging capital markets for the resource industry, together with very attractive operating costs (OPEX), and
- It has the potential to exhibit a significantly reduced environmental footprint – with no salt tailings on surface, no brine ponds or other brine control structures, and no requirement for fresh surface water consumption.

Gensource’s President & CEO, Mike Ferguson, said, “We are very pleased to have completed the PEA for Vanguard – and we are specifically pleased with the results. The analysis in the Report indicates that there is good potential for an economic potash operation using the small scale techniques we’ve defined. The fact that a strong ROI is indicated – even when using very conservative inputs like today’s low potash price, and a real and rational sustaining CAPEX program - supports Gensource’s business plan as a marketable approach to becoming a new and independent potash producer. We believe the PEA provides a very solid foundation for Gensource to move forward with the next step work on Vanguard. The recommendations of the PEA include, 1) upgrade the resource from Inferred to Measured and Indicated through a geological confirmation program and, 2) to begin a preliminary feasibility study. Those are exciting next steps and we are laying the groundwork now.”

SUMMARY OF THE PEA

General:

Design parameters for, and general results of the PEA are:

Project capacity: 250,000 t/a final product, standard grade.
 Mine life: 100 years +, based on 64 Mt of inferred resource identified in the Resource Estimate released 28Apr2016
 Mining method: Selective dissolution using horizontal caverns
 Processing: Cooling crystallization incorporating innovative energy efficiency measures
 Product storage: Nominally 30 days
 Product destination: CFR China, per the Asset Purchase Agreement between Yancoal Canada Resources and Gensource, announced 06Apr2016. \$95/t transportation allowance included in the economic analysis.
 CAPEX: \$C 247M including contingency – (~\$US 190M at today’s nominal exchange rate of 1.30) – Capital Intensity of ~ \$C 1,000 / (t/a)

Area	Total Cost
Well Field	\$CAD 27,816,000
Pipelines	\$CAD 15,879,000
Process Plant	\$CAD 78,400,000
Product Storage & Loadout	\$CAD 4,346,000
Site Infrastructure	\$CAD 20,705,000
Offsites	\$CAD 10,853,000
Project Indirects	\$CAD 39,745,000
Provisional Costs	\$CAD 49,435,000
Grand Total	\$CAD 247,179,000

OPEX: \$C 52.39 /t final product (~\$US 40.30 at today’s nominal exchange rate of 1.30). The major components of OPEX are natural gas

delivered to site at \$4.15/GJ and operating personnel count of 47 full time staff.

Development: 8- 10 months for completion of the development phase of the project, including engineering studies and environmental and regulatory licensing.

Construction: 18-20 month construction period

Economic Analysis: The financial performance of the project is shown in table below, for a range of product prices and costs of capital.

Financial Performance post Potash Production Tax, Royalties, Levies and Surcharges

Price/Tonne US\$	Project IRR	NPV @			Opp Margin	Payback (Yrs)
		6.00%	8.00%	10.00%		
\$225	9.75%	\$ 110,984,504	\$39,607,094	(\$4,405,129)	78.16%	9.50
\$260	13.22%	\$ 222,182,583	\$ 121,863,651	\$58,819,659	80.72%	6.90
\$275	14.61%	\$ 268,590,720	\$ 156,021,252	\$84,960,726	81.62%	5.80
\$300	16.86%	\$ 345,716,684	\$ 212,671,723	\$128,221,109	82.92%	4.80
\$325	19.05%	\$ 422,688,112	\$ 269,122,515	\$ 171,256,685	84.02%	4.10
\$350	21.14%	\$ 495,516,738	\$ 324,548,037	\$ 213,373,513	84.97%	3.80
\$375	23.22%	\$ 575,111,273	\$ 380,577,517	\$ 255,965,046	85.78%	3.50
\$400	25.21%	\$ 650,626,535	\$ 435,650,211	\$ 297,707,217	86.50%	3.10
\$425	27.15%	\$ 726,061,619	\$ 490,629,112	\$ 339,346,279	87.13%	2.80
\$450	29.06%	\$ 801,471,630	\$ 545,578,683	\$ 380,953,098	87.69%	2.50
\$475	30.94%	\$ 876,881,641	\$ 600,528,254	\$ 422,559,916	88.19%	2.40
\$500	32.82%	\$ 952,587,980	\$ 655,728,331	\$ 464,379,387	88.64%	2.30

Over the life of the operation, a base case price of \$300/t is assumed. Financial performance indicators for that base case are:

Indicator	Pre Sask. Profit Tax	Post Sask. Profit Tax
NPV ₈	\$322,594,953	\$212,671,723
IRR	19.55%	16.86%

Note: *The economic analysis contained in the Report is based on Inferred Resources, and is preliminary in nature. Inferred Resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no certainty that the reserves development, production, and economic forecasts on which this PEA is based will be realized.*

FURTHER DETAIL

KP 363 & KP 484 Inferred Resource: Lower Patience Lake Sub-Member (PLM1)									
Minimum K ₂ O Grade	Maximum K ₂ O Grade	Average K ₂ O Grade	Average Thickness	Average Carnallite Grade	Average Insolubles	Sylvinite Tonnage	Potential K ₂ O, 40% Recovery*	Potential K ₂ O, 30% Recovery**	Potential K ₂ O, 50% Recovery**
Weight %	Weight %	Weight %	Meters	Weight %	Weight %	Mt	Mt	Mt	Mt
20.29	28.89	24.25	4.42	0.68	6.97	646.56	62.72	47.04	78.40

*Base Case

**Sensitivity Analysis

The Following parameters apply:

1. K₂O cut off grade of 15%
2. Maximum Carnallite cut-off of 2%
3. No Insoluble cut-off.
4. No thickness cut-off, due to the mining methodology.
5. 6000m Radius of Influence.
6. Known Anomalies from seismic deducted.
7. Further deduction of 25% for unknown anomalies
8. Recovery range a total recovery (mining and plant) range.

Geology:

No further work has been completed regarding the definition of the resource since the previous Technical Report announced on 28Apr2016. The resources defined within the Vanguard area are:

Mining:

Vanguard will implement a selective mining approach, using horizontal caverns. A total of 6 caverns, covering nominally 2 sections (1 section = 1 square mile) of mineral resource will be required to attain the planned 250,000 t/a production rate. Calculated cavern life, using only the PLM1 sub-member of the Patience Lake member of the Prairie Evaporite formation (as defined in the Technical Report) is 11 years. Cavern replacement costs and pipeline extension costs are allowed for in the sustaining capital estimate.

Processing:

The production of potash product (nominally 96% purity KCl) is accomplished by the removal of KCl from the recirculating brine stream by temperature reduction. Temperature reduction is accomplished by a flash cooling crystallizer, followed by a cooling surface crystallizer operation. The brine stream is continuously recirculated

between the solution mining caverns and the process plant, picking up KCl in the caverns and crystallizing it into solid KCl in the process plant.

Plant utilities, including steam, natural gas, water, power, control are distributed from central locations to each process/mining unit operation.

Off-site utilities include power, natural gas and potentially potable water. Investigations confirm location and availability of the utilities.

A rail spur is planned to the plant site to allow all product to be transported by rail, resulting in no heavy-haul truck traffic on the exiting road network.

Transportation and Logistics:

All product will be transported by rail to the west coast of Canada or the United States. No specific terminal or port has been selected, but investigations revealed several options at various locations on the west coast of North America for shipment.

The Cost of ocean freight, including the cost to move the product from a West Coast port to a Chinese East Coast port has been factored into the operating cost estimate, although a specific port of destination in China has not yet been identified by Gensource's market partner.

Economic Analysis:

The following defines the input parameters and assumptions used in the discounted cash flow model (DCF) for the Gensource Vanguard project:

Assumptions:

- The economic analysis is based on a 100% equity scenario.
- Potash production is 100% standard grade.
- Cash-flow model constructed in \$CAD.
- Pricing for standard product is USD\$260/t, CFR China starting in 2017 with an escalation of 1% thereafter.
- Operating costs have been inflated at 2% per annum.
- There will be no expansion beyond 250,000 t/y.
- The economic model runs for 45 years, including 43 years of production.
- Consideration was given to the expected timing of construction expenses.
- OPEX and sustaining CAPEX are included in the models.
- Annual sustaining CAPEX averages \$CAD 16.09/t (\$US \$12.28/t)
- Insurance during construction is included in the models.
- The cash flows include Saskatchewan Resource Surcharge (3% of revenue), Provincial Royalties (4.4% of K₂O), and Saskatchewan Potash Profit Tax.
- Transportation costs to destination are assumed CFR China. \$CAD 95 has been included under the OPEX section of the cash flow.
- Revenue generated from future potash sales are converted into \$CAD at a long-term historical exchange \$CAD:\$US of 1:25.

- Working capital requirements of \$CAD 2.21/t.
- Head office general and administrative expenses of 1.5% of Revenue.
- Spot \$CAD:\$US exchange rate as of the date of this report is 1:31.

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Conclusions and Recommendations:

The conclusions and recommendations made in the report are that:

- The resource should be upgraded to Measured and Indicated through a drilling and 3D seismic programs. Cost estimate to complete this work is nominally \$C 2.6M. Completion of this work is subject to Gensource obtaining additional financing.
- Gensource complete a preliminary feasibility study for Vanguard. Cost to complete a preliminary feasibility study is estimated at \$1.0M. Completion of this work is subject to Gensource obtaining additional financing.

Final Words:

There are no commercial operations at the Vanguard Project at this time. The determination of the prospects for commercial operations at the Vanguard Project is dependent upon a feasibility study demonstrating economic and technical viability.

The scientific and technical information contained in this news release was prepared by or under the supervision of Max Ramey, PE, of Innovare Technologies; John McEwan, PE, of Innovare Technologies; Sandy Debusschere, of Innovare Technologies; Louis Fourie, P.Geo, Pri. Sci. Nat., of Terra Modeling Services; Geoff Wilkie, P.Eng., of ENGCOMP Engineering and Computing Professionals, and; Sheridan Fjeld, P.Eng., of ENGCOMP Engineering and Computing Professionals – all consultants to Gensource and Independent Qualified Persons under NI 43-101.

About Innovare

Innovare Technologies Ltd. is a consulting firm, specialized in drilling, solution mining and processing technologies for potash mining projects. The three principals of the company have a combined 100+ years' experience, much of that in the potash industry, and have successfully developed potash projects in Saskatchewan. Based on solution mining and processing concepts developed in other commodities dating back to 1992, the principals realized the potential applications of these concepts and began to adapt them to the extraction of potash.

About ENGCOMP

ENGCOMP is a multi-discipline engineering consulting firm located in Saskatoon, SK. With more than 10 years of establishment in the heart of Saskatchewan's potash industry, ENGCOMP is a leader in the delivery of engineering for potash processing facilities. For more information see www.engcomp.ca.

About Terra Modelling Services

Terra Modelling Services Inc. is a geological consulting company based in Dalmeny, Saskatchewan, with specific expertise in potash and related minerals, as well as diamonds and kimberlites.

For further information about Terra Modelling Services, contact:

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About Gensource

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

organized that team with a business plan focusing on small scale, economical production and vertical integration. Gensource plans to use up-to-date techniques and technologies to implement a potash facility like no other in the province – one that has a very small environmental footprint and community impact.

For further information about the Company please contact:

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