

# GENSOURCE ANNOUNCES COMPLETION OF PRELIMINARY ECONOMIC ASSESSMENT (PEA) FOR ITS NEW VANGUARD PROJECT – LOW CAPEX AND WORLD CLASS OPEX.

On May 31<sup>st</sup>, 2016 - only 4 weeks after announcing the first defined 43-101 Resource at **Vanguard**, Gensource has completed and published the results of a **PEA for Project Vanguard**.

1. All product (250,000 t/a) is “**pre-sold**” to Yancoal Canada Resources (YCR) as part of the Asset Purchase Agreement (APA) between YCR and Gensource for the purchase of the Vanguard Leases. Negotiations underway on the formal Off Take Agreement.

2.

Project		Financial	
Capacity	250,000 t/a	NPV <sub>8</sub> (pre-tax)	\$322,594,953
CAPEX	\$CAD 247 M (\$US 190 M)	NPV <sub>8</sub> (post-tax)	\$212,671,723
OPEX	\$CAD 52.39/t (\$US 40/t)	IRR <sub>\$300/t, pre-tax</sub>	19.55%
Mine Life	Centuries	IRR <sub>\$300/t, post-tax</sub>	16.86%

## Next steps – Upgrade Resource to Measured and Indicated and complete a Preliminary Feasibility Study.

The PEA clearly supports Gensource’s notion of a scalable approach to potash, which is completely opposite to the typical attempt at large potash project development. Not just viable but potentially very attractive financially. To reiterate, the benefits of Gensource’s small scale approach are:

- **Low CAPEX – capital cost/t less than \$CAN 1,000/t (\$US 764/t)**
- **Exceptionally low OPEX - \$CAN 52.39/t (\$US 40)**, even at the very small planned production capacities.
- Quick development – 8-10 months development plus only 18-20 months procurement/construction to startup. **Lightning fast in potash terms.**
- A new level of environmental stewardship – **no salt tailings, no brine ponds (no brine containment structures at all) on surface; no fresh surface water consumption**, very compact physical footprint on valuable farmland.

### Project Facts:

The project will utilize **Selective Dissolution** mining techniques, meaning only the potash will be mined, not the associated salt (therefore it is *selective*).

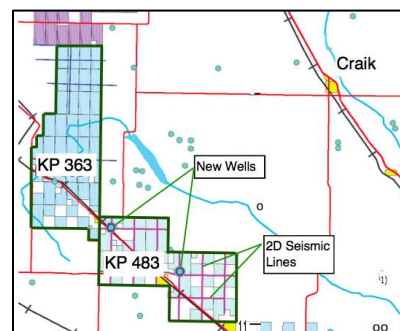
Process plant uses normal solution processing techniques including cooling crystallization. A very high efficiency and novel central energy plant is the key to Gensource’s exceedingly low OPEX per tonne – one of the lowest in the industry. Note that this low OPEX per tonne is achieved even at small production rates.

All product will be standard grade and shipped by rail (no heavy haul trucking) to the West Coast and on to China by bulk ocean freight.

Only 46 staff will run the facility, making it a right-sized and welcome addition to a rural Saskatchewan community.

With 100% of the product pre-destined for a specific market, there are no “marketing” or “sales” costs.

*Figure 1 shows the two Lease areas that comprise the larger Vanguard project area. The name VANGUARD has been specially chosen: this project could be the thin edge of the wedge that penetrates the so-far impenetrable potash production industry.*



### Financial:

The project fits today’s investment climate perfectly: Small CAPEX, low risk (due to pending Off Take Agreement with

YCR), good rate of return, fast payback and short time to cash flow.

**Total capital cost for 250,000 tonnes production is \$CAD 247,179,000 (\$US 190,138,000). Cash Operating Costs per tonne of \$CAD 52.39/t (\$US 40.30/t). Annual free cash flow per year is \$CAD 52 M (\$US 40M). Project payback within 5 years.**

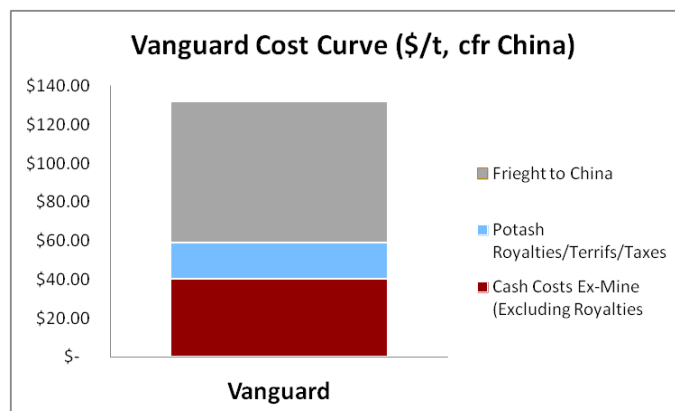
An after-tax (unlevered) summary of financial performance is give below:

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

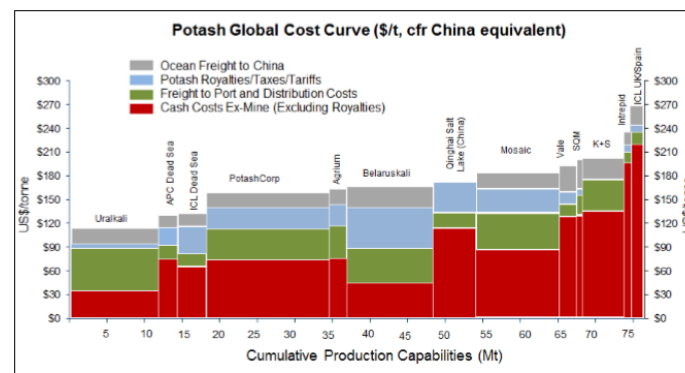
Price/Tonne US\$	Project IRR	NPV @			Opp Margin	Payback (Yrs)
		6.00%	8.00%	10.00%		
\$225	9.75%	\$ 110,984,504	\$39,607,094	(\$4,405,129)	78.16%	9.50
\$260	13.22%	\$ 222,182,583	\$ 121,863,651	\$58,819,659	80.72%	6.90
\$275	14.61%	\$ 268,590,720	\$ 156,021,252	\$84,960,726	81.62%	5.80
\$300	16.86%	\$ 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

**Competitively Positioned:**

The data from the PEA clearly demonstrates that the Gensource Vanguard Project may be one of the lowest cost potash projects in the world.



Source: Gensource Potash PEA May 31, 2016



Source: BMO Capital Markets, Company Reports

Caution Regarding Forward-Looking Statements

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