



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2016
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Gensource Potash Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	As at March 31, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	\$ 1,412,641	\$ 1,781,257
Prepaid expenses and deposits	65,320	78,678
Receivables	20,463	18,280
Total current assets	1,498,424	1,878,215
Non-current assets		
Investments	5,734	4,108
Exploration and evaluation assets (notes 3 and 10)	2,754,282	2,716,272
Property, plant and equipment (note 4)	18,865	20,027
Total non-current assets	2,778,881	2,740,407
Total assets	\$ 4,277,305	\$ 4,618,622
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (note 10)	\$ 49,800	\$ 61,610
Flow-through premium obligation (note 5(b)(i))	126,029	129,500
Total current liabilities	175,829	191,110
Shareholders' equity		
Share capital	15,503,008	15,503,008
Contributed surplus	2,123,740	2,123,740
Deficit	(13,525,272)	(13,199,236)
Total shareholders' equity	4,101,476	4,427,512
Total shareholders' equity and liabilities	\$ 4,277,305	\$ 4,618,622

Nature of operations and going concern (note 1)

Subsequent events (note 11)

Approved by the Board of Directors:

"Michael Ferguson" (signed) Director

Michael Ferguson, Director

"Paul Martin" (signed) Director

Paul Martin, Director

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Expenses		
General and administrative (notes 9 and 10)	\$ 216,509	\$ 182,239
Depreciation (note 4)	1,162	1,537
Reassessed Goods and Service Tax (note 7)	114,199	-
	331,870	183,776
Loss before interest income, unrealized gain and flow-through premium obligation	(331,870)	(183,776)
Interest income	737	813
Unrealized gain on FVTPL investments	1,626	1,959
Flow-through premium obligation discharged	3,471	-
Loss and comprehensive loss	\$ (326,036)	\$ (181,004)
Basic and diluted net loss per share (note 8)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	169,941,205	132,346,624

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

Three Months Ended
March 31,
2016 **2015**

Operating activities		
Net loss	\$ (326,036)	\$ (181,004)
Adjustments for:		
Depreciation	1,162	1,537
Unrealized gain on FVTPL investments	(1,626)	(1,959)
Flow-through premium obligation discharged	(3,471)	-
	(329,971)	(181,426)
Changes in non-cash working capital	(635)	(15,341)
Net cash used in operating activities	(330,606)	(196,767)
Investing activity		
Acquisition and expenditures on exploration and evaluation assets (note 3)	(38,010)	(155,980)
Net cash used in investing activity	(38,010)	(155,980)
Financing activities		
Cash proceeds from issuance of units	-	105,000
Cost of issuance	-	(840)
Net cash provided by financing activities	-	104,160
Net change in cash	(368,616)	(248,587)
Cash, beginning of period	1,781,257	575,841
Cash, end of period	\$ 1,412,641	\$ 327,254

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation**Condensed Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)****(Unaudited)**

	Issued shares	Share capital	Units to be issued	Contributed surplus	Deficit	Total
Balance, December 31, 2014	127,527,497	\$12,630,628	\$ 635,500	\$ 1,877,671	\$(12,127,080)	\$ 3,016,719
Prior year units issued in the year (note 5(b)(i))	10,578,571	740,500	(635,500)	-	-	105,000
Issuance cost - non-cash	-	(840)	-	-	-	(840)
Loss and comprehensive loss for the period	-	-	-	-	(181,004)	(181,004)
Balance, March 31, 2015	138,106,068	\$13,370,288	\$ -	\$ 1,877,671	\$(12,308,084)	\$ 2,939,875
Balance, December 31, 2015	169,941,205	\$15,503,008	\$ -	\$ 2,123,740	\$(13,199,236)	\$ 4,427,512
Loss and comprehensive loss for the period	-	-	-	-	(326,036)	(326,036)
Balance, March 31, 2016	169,941,205	\$15,503,008	\$ -	\$ 2,123,740	\$(13,525,272)	\$ 4,101,476

The notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

Gensource Potash Corporation (the "Company" or "Gensource") is based in Saskatoon, Saskatchewan and is focused on developing resource opportunities with a specific focus on potash development. As is common with many exploration companies, it raises financing for its exploration and development activities. Its registered head office is located at the care of Peterson & Company, 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2.

On June 28, 2013, Gensource Potash Corporation (the "Company" or "Gensource") announced that it has changed its name from Gensource Capital Corporation to Gensource Potash Corporation effective July 1, 2013. These unaudited condensed interim consolidated financial statements were authorized and approved by the Board of Directors on May xx, 2016.

The unaudited condensed interim consolidated financial statements have been prepared 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. During the three months ended March 31, 2016, the Company had a loss and comprehensive loss of \$326,036. As at March 31, 2016, the Company had working capital of \$1,322,595 and an accumulated deficit in the amount of \$13,525,272. The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration.

The Company's ability to continue operations, as intended, is dependent on its ability to continue to raise adequate financing in order to sustain ongoing expenditures and to explore and evaluate resource properties. The Company has taken additional steps to preserve cash including deferrals to management compensation. However, there can be no assurance that the Company will be able to obtain sufficient financing to continue its operations or to recover its exploration and evaluation assets. Accordingly, there exists a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not reflect any adjustments or other changes that may be required should the Company be unable to continue as a going concern. Such adjustments and changes could be material.

2. Summary of significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of May xx, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2015, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed interim consolidated financial statements.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

2. Summary of significant accounting policies (continued)

Recent accounting pronouncement

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on January 1, 2018. The Company is currently assessing the impact of this pronouncement.

3. Exploration and evaluation assets

Gensource Potash Claims

Beginning in November 2011, the Company began acquiring freehold potash leases from private mineral titleholders in one prospect area (the “Lothar” potash prospect) in southeast Saskatchewan. The Lothar Project is comprised of 47 potash leases covering 10,277.82 acres of freehold subsurface mineral rights in the vicinity of the town of Lemberg, Saskatchewan.

In January 2013, the Company began the process of acquiring freehold potash leases from private mineral titleholders in area surrounding the town of Craik in central Saskatchewan (the “Lazlo” potash prospect). The Company currently has signed 14 lease agreements covering 6,162.56 acres of freehold subsurface mineral rights in the vicinity of the town of Craik, Saskatchewan. Each of the freehold potash leases grants to the Company the exclusive rights to explore, prospect and remove subsurface minerals for a term of twenty one years subject to the Crown Royalty rate on potash sold and a \$1.00 per acre annual rental.

In March 2016, the Company began the process of acquiring two potash exploration permits in a prospect area nearby its Lazlo Project Area in central Saskatchewan. These permits are currently being converted to mineral leases by the Government of Saskatchewan. The Company refers to these permit/lease areas as the Vanguard Project Area.

<u>Cost</u>	<u>Lothar</u>	<u>Lazlo</u>	<u>Vanguard</u>	<u>Total</u>
Balance, December 31, 2014	\$ 1,693,676	\$ 734,378	\$ -	\$ 2,428,054
Additions:				
Property acquisition and surface access fees	10,038	26,947	-	36,985
Geological and project management	-	251,233	-	251,233
Balance, December 31, 2015	1,703,714	1,012,558	-	2,716,272
Additions:				
Property acquisition and surface access fees	6,306	3,939	-	10,245
Geological and project management	-	11,250	16,515	27,765
Balance, March 31, 2016	\$ 1,710,020	\$ 1,027,747	\$ 16,515	\$ 2,754,282

Executive compensation capitalized as exploration and evaluation assets was \$22,500 for the three months ended March 31, 2016 (year ended December 31, 2015 - \$90,000).

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

4. Property, plant and equipment

Cost

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2015	111,708	82,600	12,350	95,853	302,511
Balance, March 31, 2016	111,708	82,600	12,350	95,853	302,511

Accumulated depreciation

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2015	98,076	76,205	12,350	95,853	282,484
Depreciation for the period	682	480	-	-	1,162
Balance, March 31, 2016	98,758	76,685	12,350	95,853	283,646

Carrying amount

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
At December 31, 2015	13,632	6,395	-	-	20,027
At March 31, 2016	12,950	5,915	-	-	18,865

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares. The common shares have no par value.

b) Common shares

At March 31, 2016, the Company has 169,941,205 common shares (December 31, 2015 – 169,941,205) issued and outstanding.

i) On February 18, 2015, the Company completed a non-brokered private placement of 10,578,571 units at a price of \$0.07 per unit for aggregate gross proceeds of \$740,500, of this amount, \$635,500 related to proceeds received before December 31, 2014 and which units were issued on February 18, 2015. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of \$0.10 for a period of twenty-four (24) months. These warrants were assigned a value of \$153,389 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.42%;
- Expected life: 2 years;
- Expected volatility: 144% based on historical trends; and
- Weighted average share price: \$0.05.

c) Warrants

The Company has the following warrants outstanding as a result of equity issues:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2014	28,527,958	0.05
Issued (note 5(i))	5,289,286	0.10
Balance, March 31, 2015	33,817,244	0.06
Balance, December 31, 2015 and March 31, 2016	43,443,096	0.08

Issue date	Expiry date	Exercise price	Number of warrants
April 30, 2014	April 29, 2016	\$0.05	10,300,000
August 10, 2014	August 10, 2016	\$0.05	14,000,000
February 18, 2015	February 18, 2017	\$0.10	5,289,286
November 6, 2015	November 6, 2017	\$0.12	3,537,285
December 29, 2015	December 29, 2017	\$0.12	10,036,425
December 31, 2015 ⁽¹⁾	December 31, 2017	\$0.07	280,100
Weighted average exercise price		\$0.08	43,443,096

⁽¹⁾ Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half of one common share purchase warrant, at an exercise price of \$0.07 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until December 31, 2017 at the exercise price of \$0.12 per share.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2014 and March 31, 2015	11,641,748	0.09
Balance, December 31, 2015 and March 31, 2016	13,610,607	0.08

The following table reflects the stock options issued and outstanding as of March 31, 2016:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
August 24, 2017	0.10	1.40	2,050,000	2,050,000	-
November 29, 2017	0.10	1.67	100,000	100,000	-
November 29, 2017	0.10	1.67	100,000	100,000	-
January 23, 2019	0.10	2.82	3,691,748	3,691,748	-
October 24, 2019	0.06	3.57	3,700,000	3,700,000	-
April 16, 2020	0.07	4.05	2,168,859	2,168,859	-
October 1, 2020	0.07	4.51	1,800,000	1,800,000	-
	0.08	3.21	13,610,607	13,610,607	-

7. Reassessed Goods and Service Tax ("GST")

During the three months ended March 31, 2016, the Company made a payment of \$114,199 as a result of reassessed GST returns filed for the period from July 1, 2011 to December 31, 2012. The amount of \$114,199 includes interest and penalties up to March 16, 2016, the date of the latest Canada Revenue Agency reassessment. The Company is in the process of appealing the reassessment and will reverse the reassessed GST expense if the appeal is successful.

8. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2016 was based on the loss attributable to common shareholders of \$326,036 (three months ended March 31, 2015 – \$181,004) and the weighted average number of common shares outstanding of 169,941,205 (three months ended March 31, 2015 – 132,346,624). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

9. General and administrative

	Three Months Ended March 31,	
	2016	2015
Wages, benefits and incentive compensation	\$ 2,672	\$ 2,845
Sales and marketing	43,801	18,184
Professional fees (note 10)	84,664	73,280
Office and general	85,372	87,930
	<u>\$ 216,509</u>	<u>\$ 182,239</u>

10. Related party balances and transactions

During the three months ended March 31, 2016, the Company had the following related party transactions:

a) Included in general and administrative expenses and exploration and evaluation assets for the three months ended March 31, 2016, are short term employee salaries and benefits to key management and director compensation of \$90,000 (three months ended March 31, 2015 - \$90,000). Key management compensation consists of the following:

During the three months ended March 31, 2016, compensation, salaries and benefits of \$67,500, (three months ended March 31, 2015 - \$67,500) were paid to a director and officers of the Company or related companies controlled by the director, officers and former officers of the Company.

During the three months ended March 31, 2016, the Company also paid compensation of \$22,500 to the VP Corporate Services (three months ended March 31, 2015 - \$22,500).

b) To the knowledge of the directors and executive officers of the Company as of March 31, 2016, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

The related party transactions were recorded at the exchange amount, which is the amount agreed to by the related parties.

11. Subsequent events

(i) On April 6, 2016, the Company announced that it entered into a definitive Asset Purchase Agreement (“APA”) which includes an off-take term sheet (“Term Sheet”) for the sale of potash. Collectively, these transactions offer the Company the opportunity to advance its business plan of becoming a future potash producer in Saskatchewan. The agreement is between the Company and Yancoal Canada Resources Co. Ltd. (“YCR”).

The APA defines the terms for the purchase by the Company of two potash exploration permits (“Permit” or “Permits”) conditional upon their conversion into mineral production leases (“Lease” or “Leases”) and also contains a Term Sheet that defines key terms for the future sale of potash product from the proposed facility. Key terms of the transaction include a purchase price of \$2,480,000, payable as two installments: (i) \$1,240,000 in cash at closing within 30 days of the effective date of the APA; and, (ii) a convertible debenture to YCR in the principal amount of \$1,240,000 that is due on the later of 90 days of the effective date of the APA and the close of the transaction, payable in cash or convertible to shares in the Company if sufficient funds are not raised. The shares will be issued at an exercise price equal to the 20 day VWAP prior to the maturity date. The company will require a financing to close, which will be completed as a private placement on terms to be announced. The Company has paid approximately \$300,000 for the Lease conversion costs, which it understands may be refunded if the permits are not converted to leases. The transaction is subject to regulatory approval.

On May 5, 2016, the first installment of \$1,240,000 was delivered to YCR.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

11. Subsequent events (continued)

(ii) On April 20, 2016, the Company announced that it granted an aggregate of 1,500,000 stock options to certain directors of the Company. The options were granted under the Company's Stock Option Plan and each stock option entitles the holder to acquire one common share at an exercise price of \$0.07 and vest immediately.

(iii) On May 6 and May 11, 2016, the Company announced that it has completed the first and the second tranche of the non-brokered private placement financing, respectively, consisting of the aggregate sale of 26,812,443 units ("Units") at \$0.07 per Unit for aggregate gross proceeds of \$1876,871.

Each Unit consisted of one (1) common share and one-half (1/2) of one common share purchase warrant ("Warrant"). Each whole Warrant shall entitle the holder to acquire an additional common share at a price of \$0.12 for a period of twenty-four (24) months from the date of issuance.

The Company also paid a total of \$62,513.50 in finders fees and has issued 893,050 broker warrants ("Broker Warrant") in connection with these private placements. Each Broker Warrant will entitle the holder thereof to purchase one Unit at an exercise price of \$0.07 for a period of 24 months following the closing date of the private placements.