Gensource
POTASH CORP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2017

(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, 2017	As at December 31, 2016
ASSETS		
Current assets		
Cash	**$ 847,230**	$ 1,957,093
Prepaid expenses and deposits	**184,307**	88,174
HST and other receivables	**290,153**	173,821
Total current assets	**1,321,690**	2,219,088
Non-current assets		
Investments	**8,052**	9,199
Exploration and evaluation assets (notes 3 and 10)	**9,932,942**	6,904,051
Property, plant and equipment (note 4)	**19,052**	20,357
Total non-current assets	**9,960,046**	6,933,607
Total assets	**$ 11,281,736**	$ 9,152,695
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	**$ 1,283,217**	$ 2,269,499
Flow-through premium obligation	**-**	306,629
Total current liabilities	**1,283,217**	2,576,128
Shareholders' equity		
Share capital (note 5)	**23,841,631**	20,296,454
Units to be issued	**-**	15,400
Contributed surplus	**2,711,818**	2,415,432
Deficit	**(16,554,930)**	(16,150,719)
Total shareholders' equity	**9,998,519**	6,576,567
Total shareholders' equity and liabilities	**$ 11,281,736**	$ 9,152,695

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, 2017	Three Months Ended March 31, 2016
Expenses		
General and administrative (notes 9 and 10)	**$ 409,530**	$ 216,509
Share-based payments (note 6)	**301,786**	-
Depreciation (note 4)	**1,305**	1,162
Reassessed Goods and Service Tax (note 7)	**-**	114,199
	712,621	331,870
Loss before undernoted items	**(712,621)**	(331,870)
Interest income	**2,927**	737
Unrealized gain(loss) on FVTPL investments	**(1,146)**	1,626
Flow-through premium obligation discharged	**306,629**	3,471
Loss and comprehensive loss	**$ (404,211)**	$ (326,036)
Basic and diluted net loss per share (note 8)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	**271,340,355**	169,941,205

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, 2017	Three Months Ended March 31, 2016
Operating activities		
Net loss	**$ (404,211)**	$ (326,036)
Adjustments for:		
Depreciation	**1,305**	1,162
Share-based payments	**301,786**	-
Unrealized gain on FVTPL investments	**1,146**	(1,626)
Flow-through premium obligation discharged	**(306,629)**	(3,471)
	(406,603)	(329,971)
Changes in non-cash working capital	**(1,198,747)**	(635)
Net cash used in operating activities	**(1,605,350)**	(330,606)
Investing activities		
Acquisition and expenditures on exploration and evaluation assets	**(3,028,891)**	(38,010)
Net cash used in investing activities	**(3,028,891)**	(38,010)
Financing activities		
Cash proceeds from issuance of units	**2,984,602**	-
Cash proceeds from exercise of warrants	**679,614**	-
Cost of issuance	**(145,838)**	-
Cash proceeds from exercise of stock options	**6,000**	-
Net cash provided by financing activities	**3,524,378**	-
Net change in cash	**(1,109,863)**	(368,616)
Cash, beginning of period	**1,957,093**	1,781,257
Cash, end of period	**$ 847,230**	$ 1,412,641

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, 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**
Balance, December 31, 2016	**247,608,949**	**$20,296,454**	**$ 15,400**	**$ 2,415,432**	**$(16,150,719)**	**$ 6,576,567**
Issuance of units (note 5(b))	27,272,728	2,737,957	(15,400)	-	-	2,722,557
Issuance of units from exercise of warrants	6,485,970	941,658	-	-	-	941,658
Issuance cost - cash	-	(145,838)	-	-	-	(145,838)
Share-based payments (note 6)	-	-	-	301,786	-	301,786
Issuance of units from exercise of options	100,000	11,400	-	(5,400)	-	6,000
Loss and comprehensive loss for the period	-	-	-	-	(404,211)	(404,211)
Balance, March 31, 2017	**281,467,647**	**$23,841,631**	**$ -**	**$ 2,711,818**	**$(16,554,930)**	**$ 9,998,519**

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

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 & McVicar LLP, 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2.

On June 28, 2013, Gensource Potash Corporation 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 30, 2017.

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. As at March 31, 2017, the Company had working capital of $38,473 and an accumulated deficit in the amount of $16,554,930. 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 30, 2017, 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, 2016, 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, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

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

The Lothar Project

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 December 2016, the Company has made the decision to not pursue the project and therefore recorded an impairment of the related exploration and evaluation assets.

The Lazlo Project

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.

(Expressed in Canadian Dollars)

3. Exploration and evaluation assets (continued)

The Vanguard Project

The Vanguard Area is located in central Saskatchewan and comprises two mineral leases that have been acquired from Yancoal Canada Resources ("YCR").

On April 6, 2016, the Company announced that it has entered into a definitive Asset Purchase Agreement ("APA") which included 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 YCR.

APA is now fully closed and all conditions have been met. The APA defined 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 (paid in full in July 2016), 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 would be issued at an exercise price equal to the 20 day VWAP prior to the maturity date. The Company has now paid the full $2,480,000 purchase price as well as approximately $300,000 for the Lease conversion costs, the debenture is cancelled and a definitive off take agreement has been signed with YCR.

Cost	Lothar	Lazlo	Vanguard	Total
Balance,December 31, 2015	**$ 1,703,714**	**$ 1,012,558**	**$ -**	**$ 2,716,272**
Additions:				
Property acquisition and surface access fees	7,039	7,868	2,824,389	2,839,296
Geological and project management	-	68,450	377,798	446,248
Engineering	-	-	675,946	675,946
Drilling	-	-	1,937,042	1,937,042
Impairment	(1,710,753)	-	-	(1,710,753)
Balance,December 31, 2016	**$ -**	**$ 1,088,876**	**$ 5,815,175**	**$ 6,904,051**
Additions:				
Property acquisition and surface access fees	-	3,679	298,365	302,044
Geological and project management	-	9,000	36,416	45,416
Engineering	-	-	1,617,488	1,617,488
Drilling	-	-	267,825	267,825
Seismic	-	-	796,118	796,118
Balance,March 31, 2017	**$ -**	**$ 1,101,555**	**$ 8,831,387**	**$ 9,932,942**

Executive compensation capitalized as exploration and evaluation assets was $45,000 for the three months ended March 31, 2017 (year ended December 31, 2016 - $120,000).

(Expressed in Canadian Dollars)

4. Property, plant and equipment

Cost

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
Balance, December 31, 2016	**106,692**	**90,836**	**12,350**	**95,853**	**305,731**
Balance, March 31, 2017	**106,692**	**90,836**	**12,350**	**95,853**	**305,731**

Accumulated depreciation

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
Balance, December 31, 2016	**97,812**	**79,359**	**12,350**	**95,853**	**285,374**
Depreciation for the period	444	861	-	-	1,305
Balance, March 31, 2017	**98,256**	**80,220**	**12,350**	**95,853**	**286,679**

Carrying amount

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
At December 31, 2016	**8,880**	**11,477**	**-**	**-**	**20,357**
At March 31, 2017	**8,436**	**10,616**	**-**	**-**	**19,052**

(Expressed in Canadian Dollars)

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, 2017, the Company has 281,467,647 common shares (December 31, 2016 – 247,608,949) issued and outstanding.

i) On January 20, 2017, the Company has completed a non-brokered private placement financing consisting of the sale of 27,272,728 units (the "Units") at $0.11 per Unit for aggregate gross proceeds of $3,000,000. Each Unit consisted of one (1) common share in the capital stock of the Company ("Common Share") and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire an additional Common Share at a price of $0.17 for a period of 24 months from the date of issuance.

The Company also paid a total of $122,109.37 in finder's fees and issued 1,110,085 broker warrants ("Broker Warrants") to eligible finders in connection with the Offering. Each Broker Warrant will entitle the holder thereof to purchase one Unit at an exercise price of $0.11 for a period of 24 months following the closing date of the Offering.

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, 2015 and March 31, 2016	**43,443,096**	**0.08**
Balance, December 31, 2016	**55,969,467**	**0.13**
Issued (note 5(b))	14,746,449	0.17
Exercised	(6,485,970)	0.10
Expired	(903,571)	0.10
Balance, March 31, 2017	**63,326,375**	**$0.14**

(Expressed in Canadian Dollars)

5. Share capital (continued)

c) Warrants (continued)

Issue date	Expiry date	Exercise price	Number of warrants
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
May 6, 2016	May 5, 2018	$0.12	12,726,715
May 6, 2016 (2)	May 5, 2018	$0.07	468,045
September 19, 2016	September 19, 2017	$0.15	16,625,558
September 19, 2016 (3)	September 19, 2018	$0.11	991,055
September 19, 2016 (4)	September 19, 2018	$0.09	1,262,717
October 26, 2016	October 26, 2018	$0.15	2,490,559
October 26, 2016 (5)	October 26, 2018	$0.09	161,467
January 20, 2017	January 20, 2017	$0.17	13,636,364
January 20, 2017(6)	January 20, 2017	$0.11	1,110,085
Weighted average exercise price		$0.14	63,326,375

(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.

(2) Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of $0.07 for a period of 24 months.

(3) Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of $0.11 for a period of 24 months.

(4) Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one common share purchase warrant, at an exercise price of $0.09 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until September 19, 2018 at the exercise price of $0.15 per share.

(5) Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one common share purchase warrant, at an exercise price of $0.09 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until October 26, 2018 at the exercise price of $0.15 per share.

(6) Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half common share purchase warrant, at an exercise price of $0.11 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until January 20, 2019 at the exercise price of $0.17 per share.

(Expressed in Canadian Dollars)

6. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2015 and March 31, 2016	**13,610,607**	**0.08**
Balance, December 31, 2016	**16,510,607**	**0.08**
Granted [(1)(2)]	6,050,000	0.13
Exercised	(100,000)	(0.06)
Balance, March 31, 2017	**22,460,607**	**0.08**

The weighted average grant date fair value of options granted during the three months ended March 31, 2017 was $0.11 (March 31, 2016 - $nil).

[(1)] On February 21, 2017, the Company granted 5,300,000 stock options (including 4,500,000 stock pitons to directors and officers of the Company) at an exercise price of $0.13 and are exercisable for a period of 5 years. The options will vest after 1 year from the date of grant. The estimated fair value of these options at the grant date was $545,900 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: 1.17%;
- Expected life: 5.0 years;
- Expected volatility: 133% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.17.

[(2)] On February 21, 2017, the Company granted 750,000 stock options at an exercise price of $0.17 and are exercisable for a period of 5 years. 450,000 options vested immediately and the the remaining 300,000 options will vest with the following terms: 75,000 options on May 21, 2017, 75,000 options on August 21, 2017, 75,000 options on November 21, 2017, 75,000 options on February 21, 2018. The estimated fair value of these options at the grant date was $103,500 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: 1.17%;
- Expected life: 5.0 years;
- Expected volatility: 133% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.17.

During the three months ended March 31, 2017, $301,786 share-based payments were expensed.

(Expressed in Canadian Dollars)

6. Stock options (continued)

The following table reflects the stock options issued and outstanding as of March 31, 2017:

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	0.40	1,050,000	1,050,000	-
November 29, 2017	0.10	0.67	100,000	100,000	-
November 29, 2017	0.10	0.67	100,000	100,000	-
January 23, 2019	0.10	1.82	2,991,748	2,991,748	-
October 24, 2019	0.06	2.57	1,600,000	1,600,000	-
April 16, 2020	0.07	3.05	2,068,859	2,068,859	-
October 1, 2020	0.07	3.51	1,300,000	1,300,000	-
April 19, 2021	0.07	4.05	1,000,000	-	1,000,000
June 6, 2021	0.06	4.19	3,200,000	-	3,200,000
June 6, 2021	0.08	4.19	500,000	-	500,000
September 7, 2021	0.08	4.44	1,000,000	-	1,000,000
September 18, 2021	0.06	4.47	1,000,000	-	1,000,000
December 6, 2021	0.10	4.69	500,000	500,000	-
February 20, 2022	0.13	4.90	5,300,000	-	5,300,000
February 20, 2022	0.17	4.90	750,000	450,000	300,000
	0.09	**3.62**	**22,460,607**	**10,160,607**	**12,300,000**

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, 2017 was based on the loss attributable to common shareholders of $404,211 (three months ended March 31, 2016 – $326,036) and the weighted average number of common shares outstanding of 271,340,355 (three months ended March 31, 2016 – 169,941,205). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

(Expressed in Canadian Dollars)

9. General and administrative

	Three Months Ended March 31, 2017	2016
Wages, benefits and incentive compensation	**$ 35,567**	$ 2,672
Sales and marketing	**93,069**	43,801
Professional fees (note 10)	**152,903**	84,664
Office and general	**127,991**	85,372
	$ 409,530	$ 216,509

10. Related party balances and transactions

a) During the three months ended March 31, 2017, compensation, salaries and benefits of $180,000, (three months ended March 31, 2016 - $90,000) were paid to a director and officers of the Company or related companies controlled by the director and officers of the Company. They were included in general and administrative expenses and exploration and evaluation assets.

b) During the three months ended March 31, 2017, share-based payments of $179,347 were rewarded to a director and officers of the Company (three months ended March 31, 2016 - $nil).

c) To the knowledge of the directors and executive officers of the Company as of March 31, 2017, 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) Subsequent to March 31, 2017, 29,813 warrants were exercised at an exercise price of $0.12.

(ii) On April 24, 2017, the Company granted 3,000,000 stock options at an exercise price of $0.18.

(iii) On April 28, 2017, the Company engaged Industrial Alliance Securities Inc. (“IA”) as sole agent in connection with a proposed best efforts marketed private placement for gross proceeds of up to $6,000,000 (the “Offering”). The Offering will consist of the sale of up to 11,111,111 common shares in the capital stock of the Company (the “Common Shares”) at a price of $0.18 per Common Share, for gross proceeds of up to $2,000,000, and up to 20,000,000 Common Shares issued on a flow-through basis (the “Flow-Through Shares”) for gross proceeds of up to $4,000,000 at a price of $0.20 per Flow-Through Share.

11. Subsequent events (continued)

(iv) On April 3, 2017, the Company executed a shareholder agreement ("Shareholder Agreement") with Essel Group ME Limited ("EGME") to create a joint venture company, Vanguard Potash Corp. ("JV" or "Vanguard"), pursuant to the memorandum of understanding between the two parties announced on November 29, 2016.

Vanguard is a private corporation incorporated under the laws of Saskatchewan and headquartered in Saskatoon, SK. Vanguard's sole purpose is:

(i) to finance, develop, engineer, construct and operate a mine and processing plant to produce potash from the Vanguard asset near Eyebrow and Tugaske in Saskatchewan; and

(ii) to market and sell the potash product.

The key terms of the Shareholder Agreement are as follows:

(a) EGME will contribute capital to Vanguard in two tranches:

(i) First tranche of $US 5M will be used to fund the feasibility study and will be provided following compliance with the required Canadian banking regulations and processes;

(ii) Second tranche of $US 200M, which represents the full estimated capital to construct and commissioning of the first facility of the Vanguard project;

(b) Gensource will assign a 49% interest in the KL 245 lease (the "Lease") to Vanguard;

(c) Gensource will assign the Mining Rights Agreement to Vanguard, allowing it to benefit from 100% of mining on the Lease;

(d) Gensource will assign the Technical Services and Technology Agreement to Vanguard, bringing Gensource's expertise and unique approach to potash mining and processing to the JV;

(e) Vanguard will become 49% owned by EGME and 51% owned by Gensource upon receipt of the first tranche of financing ($US 5M). Once construction financing is committed and delivered (estimated at $US 200M), Vanguard will become 70% owned by EGME and 30% by Gensource;

(f) Following the completion of Phase One of the Vanguard 1 Project (to produce 250,000 tonnes of potash per annum), both parties shall make all commercially reasonable efforts to undertake and complete one or more expansion phase necessary to increase production of potash to a minimum of 1M tonnes/per annum, the final production target; and

(g) The board of Vanguard will initially comprise of three nominees of EGME and two nominees of Gensource. A jointly appointed management team will lead the development of the new potash facility. Gensource will maintain control of Vanguard until construction financing has been committed.