CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2018

(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, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash	**$ 216,698**	$ 464,905
Prepaid expenses and deposits	**111,341**	181,124
GST/HST and other receivables	**47,191**	201,602
Total current assets	**375,230**	847,631
Non-current assets		
Investments	**9,823**	9,820
Exploration and evaluation assets (notes 3 and 10)	**11,800,679**	11,447,375
Property, plant and equipment (note 4)	**14,181**	15,138
Total non-current assets	**11,824,683**	11,472,333
Total assets	**$ 12,199,913**	$ 12,319,964
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	**$ 394,240**	$ 41,852
Flow-through premium obligation	**166,651**	166,702
Total current liabilities	**560,891**	208,554
Shareholders' equity		
Share capital (note 5)	**27,590,894**	27,590,544
Units to be issued	**3,552**	3,552
Contributed surplus	**4,343,364**	3,832,401
Deficit	**(20,298,788)**	(19,315,087)
Total shareholders' equity	**11,639,022**	12,111,410
Total shareholders' equity and liabilities	**$ 12,199,913**	$ 12,319,964

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, 2018	2017
Expenses		
General and administrative (notes 9 and 10)	**$ 472,528**	$ 409,530
Share-based payments (note 6 and 10)	**510,963**	301,786
Depreciation (note 4)	**957**	1,305
Reassessed Goods and Service Tax (note 7)	**-**	-
	984,448	712,621
Loss before under noted items	**(984,448)**	(712,621)
Interest income	**693**	2,927
Unrealized gain on FVTPL investments	**3**	(1,146)
Flow-through premium obligation discharged	**51**	306,629
Loss and comprehensive loss	**$ (983,701)**	$ (404,211)
Basic and diluted net loss per share (note 8)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted (note 8)	**288,856,246**	271,340,355

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, 2018	Three Months Ended March 31, 2017
Operating activities		
Net loss	**$ (983,701)**	$ (404,211)
Adjustments for:		
Depreciation	**957**	1,305
Share-based payments	**510,963**	301,786
Unrealized (gain) on FVTPL investments	**(3)**	1,146
Flow-through premium obligation discharged	**(51)**	(306,629)
	(471,835)	(406,603)
Changes in non-cash working capital	**576,582**	(1,198,747)
Net cash (used in) provided by operating activities	**104,747**	(1,605,350)
Investing activities		
Acquisition and expenditures on exploration and evaluation assets	**(353,304)**	(3,028,891)
Net cash used in investing activities	**(353,304)**	(3,028,891)
Financing activities		
Cash proceeds from issuance of units	**-**	2,984,602
Cash proceeds from exercise of warrants	**350**	679,614
Cost of issuance	**-**	(145,838)
Cash proceeds from exercise of stock options	**-**	6,000
Net cash provided by financing activities	**350**	3,524,378
Net change in cash	**(248,207)**	(1,109,863)
Cash, beginning of period	**464,905**	1,957,093
Cash, end of period	**$ 216,698**	$ 847,230

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, 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**
Balance, December 31, 2017	**321,261,676**	**$ 27,590,544**	**$ 3,552**	**$ 3,832,401**	**$ (19,315,087)**	**$ 12,111,410**
Issuance of units from exercise of warrants	5,005	350	-	-	-	350
Share-based payments (note 6)	-	-	-	510,963	-	510,963
Loss and comprehensive loss for the period	-	-	-	-	(983,701)	(983,701)
Balance, March 31, 2018	**321,266,681**	**$ 27,590,894**	**$ 3,552**	**$ 4,343,364**	**$ (20,298,788)**	**$ 11,639,022**

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.

These unaudited condensed interim consolidated financial statements were authorized and approved by the Board of Directors on May 18, 2018.

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, 2018, the Company had working capital deficiency of $185,661, negative cash flows and an accumulated deficit in the amount of $20,298,788. 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 IFRS's issued and outstanding as of May 18, 2018, 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, 2017, 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, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

New accounting standard adopted

At January 1, 2018, the Company adopted the following and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

Effective January 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new hedge accounting guidance aligns hedge accounting more closely with an entity's risk management objectives and strategies. IFRS 9 does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it allows more hedging strategies used for risk management to qualify for hedge accounting and introduces more judgement to assess the effectiveness of a hedging relationship, primarily from a qualitative standpoint. The Company has elected to continue with IAS 39 for hedging. This does not have an effect on our reported results.

Below is a summary showing the classification and measurement bases of our financial instruments as at January 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39).

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Accounts receivable and other receivables	Loans and receivables (amortized cost)	Amortized cost
Amounts payable and other liabilities	Other financial liabilities (amortized cost)	Amortized cost

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's December 31, 2017 consolidated financial statements has been updated as follows:

<u>Financial assets</u>
Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at fair value through profit or loss (“FVTPL”)

Financial assets are classified as fair value through profit or loss if they do not meet the criteria of amortized cost or fair value through other comprehensive income. Gains or losses on these items are recognized in profit or loss.

The Company’s marketable securities are classified as financial assets measured at FVTPL.

2. Summary of significant accounting policies (continued)

New accounting standard adopted (continued)

Financial assets (continued)

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash is classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's amounts payable and other liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded fair value through profit or loss ("FVTPL")

Financial liabilities are classified as fair value through profit or loss if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2. Summary of significant accounting policies (continued)

New accounting standard adopted (continued)

Expected Credit Loss Impairment Model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Recent accounting pronouncement

IFRS 16 - Leases ("IFRS 16"). In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

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.

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 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"). It also contained a Term Sheet that defined key terms for the future sale of potash product from the proposed facility. Key terms of the transaction included 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, paid by cash or convertible to shares in the Company if sufficient funds are not raised. The shares would have been issued at an exercise price equal to the 20 day VWAP prior to the maturity date. The Company has paid the full $2,480,000 purchase price as well as approximately $300,000 for the Lease conversion costs, and the debenture was cancelled.

On April 21, 2017, the Company announced that the offtake agreement with Yancoal Canada Resources was terminated.

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. The purpose of the JV was to finance, construct and operate a new potash production facility in Saskatchewan located on Gensource's wholly owned subsurface mineral lease KL 245. The Shareholder Agreement defined commitments for both parties as well as conditions precedent to the JV. One condition precedent carried a specific deadline, that of initial capitalization (termed the Initial Contribution in the Shareholder Agreement) of the JV by EGME. Despite an extension of the deadline for the Initial Contribution and planning meetings for the JV, as of October 2, 2017, Vanguard has not received the Initial Contribution. On that basis, the Company considers the JV Shareholder Agreement null and void.

During the three months ended March 31, 2018, the Company entered into two non-binding memorandums of understanding ("MOU") with large and well established players in the North American agriculture industry, both of which are based in the USA. The subject of the MOUs was off-take for the future potash product from a Gensource production facility (the term "off-take" is simply the commitment to purchase product), and both MOUs were similar in that they contemplated the purchase of the full production from one of Gensource's modules of 250,000 t/year production capacity for an extended period. With these MOUs now signed, Gensource is proceeding with the next steps, which are: 1) the negotiation of definitive off-take agreements based on the MOUs and, 2) Project financing based on the off-taker agreement(s).

(Expressed in Canadian Dollars)

3. Exploration and evaluation assets (continued)

Cost	Lazlo	Vanguard	Total
Balance, December 31, 2016	**$ 1,088,876**	**$ 5,815,175**	**$ 6,904,051**
Additions:			
Property acquisition and surface access fees	14,797	288,365	303,162
Geological and project management	9,000	236,613	245,613
Engineering	-	2,463,515	2,463,515
Drilling	-	567,727	567,727
Seismic	-	905,720	905,720
Environmental	-	57,587	57,587
Balance, December 31, 2017	**$ 1,112,673**	**$ 10,334,702**	**$ 11,447,375**
Additions:			
Property acquisition and surface access fees	2,979	289,065	292,044
Geological and project management	-	28,104	28,104
Engineering	-	5,000	5,000
Environmental	-	28,156	28,156
Balance, March 31, 2018	**$ 1,115,652**	**$ 10,685,027**	**$ 11,800,679**

Executive compensation capitalized as exploration and evaluation assets was $nil for the three months ended March 31, 2018 (year ended December 31, 2017 - $67,500).

(Expressed in Canadian Dollars)

4. Property, plant and equipment

Cost

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
Balance, December 31, 2017	**106,692**	**90,836**	**12,350**	**95,853**	**305,731**
Balance, March 31, 2018	**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 year	1,776	3,443	-	-	5,219
Balance, December 31, 2017	**99,588**	**82,802**	**12,350**	**95,853**	**290,593**
Depreciation for the period	355	602	-	-	957
Balance, March 31, 2018	**99,943**	**83,404**	**12,350**	**95,853**	**291,550**

Carrying amount

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
At December 31, 2017	**7,104**	**8,034**	**-**	**-**	**15,138**
At March 31, 2018	**6,749**	**7,432**	**-**	**-**	**14,181**

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, 2018, the Company has 321,266,681 common shares (December 31, 2017 – 321,261,676) 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. These warrants were assigned a value of $1,274,199 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: 0.77%;
- Expected life: 2 years;
- Expected volatility: 124% based on historical trends; and
- Weighted average share price: $0.16.

The Company also paid a total of $122,109 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. Each whole common share purchase warrant entitles the holder to purchase one common share until January 20, 2019 at a exercise price of $0.17 share. These warrants were assigned a value of $117,619 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: 0.77%;
- Expected life: 2 years;
- Expected volatility: 124% based on historical trends; and
- Weighted average share price: $0.16.

(Expressed in Canadian Dollars)

5. Share capital (continued)

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, 2016	**55,969,467**	**0.13**
Issued (note 5(b)(i))	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**
Balance, December 31, 2017	**51,507,555**	**0.14**
Issued	2,502	0.12
Exercised	(5,005)	(0.07)
Balance, March 31, 2018	**51,505,052**	**$0.14**

Issue date	Expiry date	Exercise price	Number of warrants
May 6, 2016	May 5, 2018	$0.12	12,945,867
May 6, 2016 (1)	May 5, 2018	$0.07	362,240
September 19, 2016	September 19, 2018	$0.15	16,747,641
September 19, 2016 (2)	September 19, 2018	$0.11	894,485
September 19, 2016 (3)	September 19, 2018	$0.09	1,144,384
October 26, 2016	October 26, 2018	$0.15	2,520,372
October 26, 2016 (4)	October 26, 2018	$0.09	131,654
January 20, 2017	January 20, 2019	$0.17	13,636,364
January 20, 2017(5)	January 20, 2019	$0.11	1,110,085
May 31, 2017(6)	November 30, 2018	$0.18	861,884
June 29, 2017(6)	December 29, 2018	$0.18	3,000
November 29, 2017	May 29, 2019	$0.065	532,000
December 15, 2017	June 15, 2019	$0.065	615,076
Weighted average exercise price		$0.14	51,505,052

(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 May 5, 2018 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 $0.11 for a period of 24 months.

(Expressed in Canadian Dollars)

5. Share capital (continued)

c) Warrants (continued)

(3) 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.

(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 October 26, 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-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.

(6) Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of $0.18 for a period of 18 months.

6. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price ($)
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**
Balance, December 31, 2017	**26,410,607**	**0.11**
Granted [3]	4,000,000	0.09
Balance, March 31, 2018	**30,410,607**	**0.10**

The weighted average grant date fair value of options granted during the three months ended March 31, 2018 was $0.06 (March 31, 2017 - $0.11).

6. Stock options (continued)

(1) On February 21, 2017, the Company granted 5,300,000 stock options (including 4,500,000 stock options 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 $796,917 using the Black-Scholes valuation model. During the three months ended March 31, 2018, $113,533 (three months ended March 31, 2017, $56,833), was expensed. 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 $110,593 using the Black-Scholes valuation model. During the three months ended March 31, 2018, $109,017 (three months ended March 31, 2017, $75,572), was expensed. 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.

(3) On February 2, 2018, the Company granted 4,000,000 options (including 3,500,000 stock options to directors and officers of the Company). The stock options each have an exercise price of $0.09 per share and are exercisable for a period of 5 years. The options vest immediately. The estimated fair value of these options at the grant date was $306,500 using the Black-Scholes valuation model. During the three months ended March 31, 2018, $306,500 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 2.13%;
- Expected life: 5.0 years;
- Expected volatility: 127% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.09.

(Expressed in Canadian Dollars)

6. Stock options (continued)

The following table reflects the stock options issued and outstanding as of March 31, 2018:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
January 23, 2019	0.10	0.82	2,791,748	2,791,748	-
March 1, 2019	0.07	0.92	1,500,000	1,500,000	-
March 1, 2019	0.13	0.92	500,000	500,000	-
March 1, 2019	0.09	0.92	500,000	500,000	-
October 24, 2019	0.06	1.57	1,200,000	1,200,000	-
April 16, 2020	0.07	2.05	1,868,859	1,868,859	-
October 1, 2020	0.07	2.51	300,000	300,000	-
April 19, 2021	0.07	3.05	500,000	500,000	-
June 6, 2021	0.06	3.19	3,200,000	3,200,000	-
June 6, 2021	0.08	3.19	500,000	-	500,000
September 7, 2021	0.08	3.44	1,000,000	1,000,000	-
September 18, 2021	0.06	3.47	1,000,000	1,000,000	-
December 6, 2021	0.10	3.69	500,000	500,000	-
February 20, 2022	0.13	3.90	4,800,000	4,800,000	-
February 20, 2022	0.17	3.90	750,000	750,000	-
April 23, 2022	0.18	4.07	3,000,000	750,000	2,250,000
May 9, 2022	0.18	4.11	500,000	500,000	-
May 9, 2022	0.14	4.11	1,500,000	-	1,500,000
November 13, 2022	0.09	4.62	1,000,000	1,000,000	-
February 1, 2023	0.09	4.84	3,500,000	3,500,000	-
	0.10	**3.18**	**30,410,607**	**26,160,607**	**4,250,000**

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

During the three months ended March 31, 2017, the Company made a payment of $114,587 as a result of reassessed GST returns filed for the period from July 1, 2011 to December 31, 2012. The amount of $114,587 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.

(Expressed in Canadian Dollars)

8. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended March 31, 2018 was based on the loss attributable to common shareholders of $983,701 (three months ended March 31, 2017 – $404,211) and the weighted average number of common shares outstanding of 288,856,246 (three months ended March 31, 2017 – 271,340,355). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

9. General and administrative

	Three Months Ended March 31, 2018	2017
Wages, benefits and incentive compensation	**$ 8,164**	$ 35,567
Sales and marketing	**128,561**	93,069
Professional fees (note 10)	**133,714**	152,903
Office and general	**202,089**	127,991
	$ 472,528	$ 409,530

10. Related party balances and transactions

a) During the three months ended March 31, 2018, compensation, salaries and benefits of $180,000, (three months ended March 31, 2017 - $180,000) 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, 2018, share-based payments of $353,874 were rewarded to directors and officers of the Company (three months ended March 31, 2017 - $179,347).

c) To the knowledge of the directors and executive officers of the Company as of March 31, 2018, 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 the three months ended March 31, 2018, 900,000 options expired unexercised.

(ii) Subsequent to the three months ended March 31, 2018, 4,177,483 warrants were exercised and 8,916,608 warrants expired unexercised.

(iii) On April 30, 2018, the Company announced a proposed non-brokered private placement for gross proceeds of up to $3,000,000 (the "Offering"). The Offering will consist of the sale of up to 24,000,000 Common Shares of the Company ("Common Shares") at a price of $0.125 per Common Share. The Company intends to use the proceeds from the sale of the Common Shares for general working capital purposes to complete the detailed financial arrangements with current Off-take MOU partners as well third-party equity and debt providers to allow for the construction of the first potash module and to advance the level of definition of the resource in the KL 244/KL 245 area.

11. Subsequent events (continued)

(iv) On May 18, 2018 the Company entered into a definitive, binding off-take agreement with a senior North American agriculture industry leader. Highlights of the agreement re:

- ♦ Purchase of 100% of the production from which one “module” of 250,000 tonne/year capacity;
- ♦ A preliminary marketing plan that facilitates Gensource’s goal of creating a direct link between a potash producing facility in Saskatchewan and the end user;
- ♦ 10-yeat term with an option to renew for the life of the project;
- ♦ Right of first refusal for the Off-taker to purchase any additional product that may be produced at the project either through de-bottlenecking or expansion of the productive capacity of the facility
- ♦ Right of first refusal to purchase the project should Gensource elect to sell any portion of it.