



CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED
JUNE 30, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

The accompanying unaudited condensed interim financial statements of Gensource Potash Corporation (the "Company") have been prepared by and are the responsibility of management.

Gensource Potash Corporation
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at June 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash	\$ 2,693,920	\$ 748,946
Prepaid expenses and deposits	74,770	11,185
GST/HST and other receivables (note 11)	188,500	37,189
Total current assets	2,957,190	797,320
Non-current assets		
Investments	10,700	6,305
Deferred financing costs	598,535	366,658
Exploration and evaluation assets (notes 3 and 11)	14,900,095	13,289,180
Property, plant and equipment (note 4)	14,225	14,550
Right-of-use assets (note 5)	151,728	44,289
Total non-current assets	15,675,283	13,720,982
Total assets	\$ 18,632,473	\$ 14,518,302
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	\$ 658,908	\$ 480,848
Short-term portion of lease liability (note 6)	38,169	49,777
Total current liabilities	697,077	530,625
Non-current liabilities		
Lease liability (note 6)	116,580	6,851
Total liabilities	813,657	537,476
Shareholders' equity		
Share capital (note 7)	40,205,139	34,707,530
Contributed surplus (note 8)	5,695,365	5,464,065
Deficit	(28,081,688)	(26,190,769)
Total shareholders' equity	17,818,816	13,980,826
Total shareholders' equity and liabilities	\$ 18,632,473	\$ 14,518,302

Nature of operations and going concern (note 1)
 Commitments and Contingencies (notes 6 and 14)
 Subsequent events (note 16)

Approved by the Board of Directors:

"Michael Ferguson" (signed) Director
Michael Ferguson, Director

"Michael Mueller" (signed) Director
Michael Mueller, Director

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

Gensource Potash Corporation

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
		(Restated note 15)		(Restated note 15)
Expenses				
General and administrative (notes 10 and 11)	\$ 964,468	\$ 205,977	\$ 1,356,961	\$ 585,046
Share-based payments (note 8)	154,137	115,130	526,500	128,263
Depreciation (notes 4 and 5)	14,256	14,802	29,165	29,712
Other exploration and evaluation assets	6,836	-	6,836	-
	1,139,697	335,909	1,919,462	743,021
Income (loss) before under noted items	(1,139,697)	(335,909)	(1,919,462)	(743,021)
Interest income	2,481	2,244	3,291	8,834
Unrealized gain on FVTPL investments	1,147	2,961	4,395	3,821
Gain on modification (note 6)	5,211	-	5,211	-
Accretion expense (note 6)	(4,342)	(5,382)	(7,334)	(11,472)
Foreign exchange gain	7,740	(160,457)	22,980	270,606
Loss and comprehensive loss	\$ (1,127,460)	\$ (496,543)	\$ (1,890,919)	\$ (471,232)
Basic and diluted loss per share (note 9)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted (note 9)	414,311,797	383,076,891	406,899,968	382,954,913

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

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

	Six Months Ended June 30,	
	2021	2020
		(Restated note 15)
Operating activities		
Net loss	\$ (1,890,919)	\$ (471,232)
Adjustments for:		
Depreciation	29,165	29,712
Share-based payments	526,500	128,263
Accretion expense	7,334	11,472
Unrealized loss on FVTPL investments	(4,395)	(3,821)
Gain on modification	(5,211)	-
	(1,337,526)	(305,606)
Changes in non-cash working capital	113,183	(1,456,550)
Net cash used in operating activities	(1,224,343)	(1,762,156)
Investing activities		
Purchase of property, plant and equipment	(1,810)	(5,561)
Acquisition and expenditures on exploration and evaluation assets	(1,610,915)	(2,483,459)
Net cash used in investing activities	(1,612,725)	(2,489,020)
Financing activities		
Cash proceeds from issuance of shares	5,225,782	-
Cost of issuance	(289,393)	-
Cash proceeds from exercise of stock options	116,000	21,000
Deferred financing costs	(231,877)	-
Repayment of lease on "right-of-use" asset	(38,470)	(38,470)
Net cash provided by financing activities	4,782,042	(17,470)
Net change in cash	1,944,974	(4,268,646)
Cash, beginning of period	748,946	7,490,488
Cash, end of period	\$ 2,693,920	\$ 3,221,842

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

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

	Issued shares	Share capital	Contributed surplus	Deficit	Total
Balance, December 31, 2019	382,832,935	\$ 34,495,930	\$ 5,435,765	\$(25,188,408)	\$ 14,743,287
Share-based payments (note 8)	-	-	128,263	-	128,263
Issuance of shares from exercise of options	300,000	39,600	(18,600)	-	21,000
Loss and comprehensive loss for the period	-	-	-	(471,232)	(471,232)
Balance, June 30, 2020 (Restated note 15)	383,132,935	\$ 34,535,530	\$ 5,545,428	\$(25,659,640)	\$ 14,421,318
Balance, December 31, 2020	384,232,935	\$34,707,530	\$ 5,464,065	\$(26,190,769)	\$13,980,826
Issuance of shares (note 7(b))	29,032,123	5,225,782	-	-	5,225,782
Issuance cost - cash	-	(289,373)	-	-	(289,373)
Share-based payments (note 8)	-	-	526,500	-	526,500
Issuance of shares from exercise of options	4,100,000	561,200	(295,200)	-	266,000
Loss and comprehensive loss for the period	-	-	-	(1,890,919)	(1,890,919)
Balance, June 30, 2021	417,365,058	\$40,205,139	\$ 5,695,365	\$(28,081,688)	\$ 17,818,816

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

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(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. Its registered head office is located at the care of Peterson McVicar LLP, 18 King Street, Suite 902, Toronto, Ontario, M5C 1C4.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The unaudited condensed interim 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. The Company incurred a net loss for the six months ended June 30, 2021 of \$1,890,919 (six months ended June 30, 2020 - net loss of \$471,232) and had an accumulated deficit in the amount of \$28,081,688 at June 30, 2021 (December 31, 2020 - \$26,190,769). These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. 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. As is common with many exploration companies, it raises financing for its exploration and development activities. As at June 30, 2021, the Company had working capital of \$2,260,113 (December 31, 2020 - \$266,695).

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. 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 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 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 financial statements are based on IFRS's issued and outstanding as of August 25, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent audited annual financial statements as at and for the year ended December 31, 2020, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2021 could result in restatement of these unaudited condensed interim financial statements.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

2. Summary of significant accounting policies (continued)

New accounting standard adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

Recent accounting pronouncement

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

3. 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.

The Vanguard Area Project

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

On May 18, 2018, the Company entered into a definitive, binding off-take agreement ("Agreement" or "Off-take") with a senior North American agriculture industry leader (the "Off-taker"). The Agreement incorporates the essential elements which are:

- ◆ Purchase of 100% of the production from 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-year 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.

In August 2018, the Company received a determination of "not a development" from the Saskatchewan Ministry of Environment, Environmental Assessment and Stewardship Branch. This allows the Vanguard project to proceed to the detailed construction licensing/permitting process having achieved environmental approval.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

3. Exploration and evaluation assets (continued)

The Vanguard Area Project (continued)

On May 2, 2019, the Company entered into non-binding Memoranda of Understanding (MOU) to form a joint venture company (“**JVCo**”) to develop the Tugaske Project, “formerly known as Maverick” (the “**Project**”) within the Vanguard Area (see “The Tugaske Project” below)

The Tugaske Project

On May 2, 2019, the Company entered into non-binding Memoranda of Understanding (MOU) to form a joint venture company (“**JVCo**”) to develop the Tugaske Project, “formerly known as Maverick” (the “**Project**”) within the Vanguard Area. The following agreements have been signed for Tugaske Project:

- ◆ **Offtake Agreement:** A non-binding MOU for offtake has been completed with a large and well-respected international fertilizer manufacturing and distribution company. Offtake MOU terms include:
 - Obligation to purchase 100% of the production from one module of 250,000 metric tonnes per year,
 - Typical take or pay offtake provisions,
 - 10-year duration, with option to renew,
 - Product sale and title transfer at the mine site (FCA mine site), and
 - Market-based pricing formula.
- ◆ **Offtaker Project Equity Investment:** A non-binding MOU by the offtaker for direct equity investment into JVCo, alongside Gensource and one other third-party investor. The equity investment will be in the form of cash and equal to 25+% of JVCo ownership.
- ◆ **Third Party Project Equity Investment:** A non-binding MOU for the largest equity investment of approximately 33% from a third-party investor.

During 2019, the Company closed a royalty sale (“Royalty”) on the Tugaske Project to be developed within Gensource’s Vanguard Area (comprising mineral leases KL244 and KL245). The Company sold two royalties totaling the 2% of gross revenues on the Tugaske Project for US\$6,000,000 (\$7,918,800) and the two purchasers were the Project’s off-taker and a strategic third party investor. The royalty proceeds were applied against the carrying value of the Project.

On October 18, 2019, the Company formally mandated KfW IPEX-Bank GmbH (“KfW IPEX-Bank”) to act as Lead Arranger for the senior debt component (“Debt Facility” or “Facility”) for the Tugaske Project finance package. The Agreement indicates that: (a) KfW IPEX-Bank will be the Lead Arranger to arrange the Debt Facility for the Tugaske Project; (b) A total Debt Facility of approximately US\$180 million is agreed; (c) A significant portion of the Facility is to have Export Credit Agency (ECA) coverage to reduce lender risks and the Project’s interest costs; ECA due diligence will also be overseen and managed by KfW IPEX-Bank; (d) KfW IPEX-Bank will complete its due diligence work, including the in-depth review of technical, environmental, social, market and financial aspects of the project; (e) KfW IPEX-Bank will manage syndication of the Debt Facility and plans to support the Project with a significant take and hold commitment.

On May 19, 2020, the Company announced that Societe Generale was added to the senior bank consortium group. During the period ended June 30, 2021, the Company engaged a consortium of world-class potash process design and equipment fabrication companies that will work together to provide a design-supply-commission package for the entire process plant at the Tugaske Project.

On November 4, 2020, the Company announced it has negotiated the fundamental shareholding structure with the project off-taker and equity investor, Helm AG, and another financial investor for the Tugaske Project Special Purpose Vehicle (“SPV”).

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Notes to Condensed Interim Financial Statements
 Three and Six Months Ended June 30, 2021 and 2020
 (Expressed in Canadian Dollars)
 (Unaudited)

3. Exploration and evaluation assets (continued)

The Tugaske Project (continued)

On November 26, 2020, the Company announced that, in alignment with its partner and Tugaske Project off-taker, Helm AG, it has made the decision to replace the "financial investor" as identified in the Tugaske Project SPV (Special Purpose Vehicle).

Cost	Lazlo ⁽¹⁾	Vanguard Area ⁽²⁾	Tugaske	Total
Balance, December 31, 2019	\$ 834,260	\$ 8,236,015	\$ -	\$ 9,070,275
Additions:				
Property acquisition and surface access fees	7,363	-	378,628	385,991
Geological and project management	-	-	498,713	498,713
Engineering	-	-	976,668	976,668
Drilling	-	-	41,017	41,017
Environmental	-	-	36,166	36,166
Technical reports/feasibility analysis	-	-	2,280,350	2,280,350
Transfer to Tugaske ⁽³⁾	-	(5,762,196)	5,762,196	-
Balance, December 31, 2020	\$ 841,623	\$ 2,473,819	\$ 9,973,738	\$ 13,289,180
Additions:				
Property acquisition and surface access fees	5,444	247,877	127,798	381,119
Geological and project management	-	-	298,805	298,805
Engineering	-	-	279,345	279,345
Drilling	-	-	22,162	22,162
Technical reports/feasibility analysis	-	-	629,484	629,484
Balance, June 30, 2021	\$ 847,067	\$ 2,721,696	\$ 11,331,332	\$ 14,900,095

1) Lazlo costs includes geological and freehold mineral lease costs.

2) Vanguard Area costs includes government mining leases and freehold mineral lease cost of the remaining Vanguard Area.

3) Direct costs re-allocated from the Vanguard Area project to the Tugaske Project

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

4. Property, plant and equipment

Cost

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2019	106,692	92,985	12,910	95,853	308,440
Additions	-	7,776	-	-	7,776
Balance, December 31, 2020	106,692	100,761	12,910	95,853	316,216
Additions	-	1,810	-	-	1,810
Balance, June 30, 2021	106,692	102,571	12,910	95,853	318,026

Accumulated depreciation

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2019	102,146	87,083	12,630	95,853	297,712
Depreciation for the year	909	2,765	280	-	3,954
Balance, December 31, 2020	103,055	89,848	12,910	95,853	301,666
Depreciation for the period	363	1,772	-	-	2,135
Balance, June 30, 2021	103,418	91,620	12,910	95,853	303,801

Carrying amount

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
At December 31, 2020	3,637	10,913	-	-	14,550
At June 30, 2021	3,274	10,951	-	-	14,225

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

5. Rights-of-use assets

	Property	Equipment	Total
Balance, December 31, 2019	\$ 93,655	\$ 5,996	\$ 99,651
Depreciation	(53,516)	(1,846)	(55,362)
Balance, December 31, 2020	\$ 40,139	\$ 4,150	\$ 44,289
Additions	152,308	-	152,308
Depreciation	(26,108)	(922)	(27,030)
Modification to lease term	(17,839)	-	(17,839)
Balance, June 30, 2021	\$ 148,500	\$ 3,228	\$ 151,728

During the six months ended June 30, 2021, the Company extended its current lease for 3 years from September 30, 2021 to September 30, 2024. Subsequently, the Rights-of-use asset and lease liability was treated as a modification under IFRS 16 and a new Rights-of-use asset and lease liability was recognised for the new remaining period. The weighted average incremental borrowing rate applied to the lease liability was 10%.

6. Lease liabilities

	Property	Equipment	Total
Balance, December 31, 2019	\$ 105,273	\$ 8,233	\$ 113,506
Interest expense	16,654	3,407	20,061
Lease payments	(72,151)	(4,788)	(76,939)
Balance, December 31, 2020	\$ 49,776	\$ 6,852	\$ 56,628
Additions	152,308	-	152,308
Interest expense	5,925	1,409	7,334
Modification to lease term	(23,051)	-	(23,051)
Lease payments	(36,075)	(2,395)	(38,470)
Balance, June 30, 2021	\$ 148,883	\$ 5,866	\$ 154,749

	Under 1 year	Between 1 - 2 years	Between 3 - 5 years	Over 5 years	Total
Property	\$ 35,406	\$ 97,567	\$ 15,911	\$ -	\$ 148,884
Equipment	2,763	3,102	-	-	5,865
Total	\$ 38,169	\$ 100,669	\$ 15,911	\$ -	\$ 154,749

7. Share capital

a) Authorized share capital

The Company is authorized to issue an unlimited number of voting and participating common shares. The common shares have no par value and are fully paid.

b) Common shares

At June 30, 2021, the Company had 417,365,058 common shares (December 31, 2020 – 384,232,935) issued and outstanding.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

7. Share capital (continued)

b) Common shares (continued)

i) On February 12, 2021, the Company has completed a non-brokered private placement financing of 29,032,123 common shares at \$0.18 per common shares of the Company for gross proceeds of \$5,225,782. The Company paid commissions to certain finders consisting of cash payments of \$251,490 and the issuance of 1,397,165 broker warrants exercisable into common shares at \$0.18 per broker's warrant for a period of 36 months following and paid legal and other fees of \$37,883. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.23%;
- Expected life: 3 years;
- Expected volatility: 85% based on historical 3 years trends; and
- Weighted average share price: \$0.22.

c) Warrants

The Company has the following warrants outstanding as a result of equity issues for the periods presented.

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2019	624,332	0.12
Expired	(624,332)	(0.12)
Balance, December 31, 2020	-	-
Issued	1,397,165	0.18
Balance, June 30, 2021	1,397,165	0.18

Issue date	Expiry date	Exercise price	Number of warrants
February 12, 2021	February 12, 2024	\$0.18	1,397,165

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
Three and Six Months Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

8. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2019	31,648,859	0.12
Granted ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	4,300,000	0.16
Expired/forfeited	(948,859)	(0.07)
Exercised	(1,400,000)	(0.08)
Balance, December 31, 2020	33,600,000	0.13
Granted ⁽⁵⁾	1,000,000	0.21
Exercised	(4,100,000)	(0.06)
Balance, June 30, 2021	30,500,000	0.14

The weighted average grant date fair value of options granted during the six months ended June 30, 2021 was \$0.15 (June 30, 2020 - \$0.07).

⁽¹⁾ On February 10, 2020, the Company granted an aggregate of 300,000 stock options to consultant at an exercise price of \$0.11 per share, exercisable for a period of 5 years. The options vest: 75,000 immediately; 75,000 on May 10, 2020; 75,000 on August 10, 2020; and 75,000 on November 10, 2020. The estimated fair value of these options at the grant date was \$26,100 using the Black-Scholes valuation model. During the three and six months ended June 30, 2021, \$nil (three and six months ended June 30, 2020 - \$14,938 and \$21,463, respectively) 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: 1.31%;
- Expected life: 5.0 years;
- Expected volatility: 110% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.11.

⁽²⁾ On April 1, 2020, the Company granted an aggregate of 1,000,000 stock options to a director of the Company at an exercise price of \$0.085 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$67,800 using the Black-Scholes valuation model. During the three and six months ended June 30, 2021, \$nil (three and six months ended June 30, 2020, \$67,800) 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: 0.55%;
- Expected life: 5.0 years;
- Expected volatility: 113% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.085.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements Three and Six Months Ended June 30, 2021 and 2020 (Expressed in Canadian Dollars) (Unaudited)

8. Stock options (continued)

(3) On June 3, 2020, the Company granted an aggregate of 500,000 stock options to a consultant of the Company at an exercise price of \$0.095 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$39,000 using the Black-Scholes valuation model. During the three and six months ended June 30, 2021 \$nil (three and six months ended June 30, 2020, \$39,000) 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: 0.48%;
- Expected life: 5.0 years;
- Expected volatility: 108% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.095.

(4) On December 31, 2020, the Company granted an aggregate of 2,500,000 stock options to a consultant at an exercise price of \$0.205 per share, exercisable for a period of 5 years. The options vest on April 1, 2021. The estimated fair value of these options at the grant date was \$376,500 using the Black-Scholes valuation model. During the three and six months ended June 30, 2021, \$4,137 and \$376,500, respectively (three and six months ended June 30, 2020, \$nil) 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: 0.39%;
- Expected life: 5.0 years;
- Expected volatility: 99% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.205

(5) On April 21, 2021, the Company granted an aggregate of 1,000,000 stock options to a director of the Company at an exercise price of \$0.21 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$150,000 using the Black-Scholes valuation model. During the three and six months ended June 30, 2021 \$150,000 (three and six months ended June 30, 2020, \$nil) 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: 0.94%;
- Expected life: 5.0 years;
- Expected volatility: 94% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.21

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8. Stock options (continued)

The following table reflects the stock options issued and outstanding as of June 30, 2021:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
December 6, 2021	0.10	0.44	500,000	500,000	-
February 20, 2022	0.13	0.64	4,300,000	4,300,000	-
February 20, 2022	0.17	0.64	150,000	150,000	-
April 23, 2022	0.18	0.81	3,000,000	1,500,000	1,500,000
November 13, 2022	0.08	1.37	1,000,000	1,000,000	-
February 1, 2023	0.09	1.59	2,500,000	2,500,000	-
June 13, 2023	0.145	1.95	1,000,000	-	1,000,000
July 18, 2023	0.145	2.05	1,000,000	1,000,000	-
January 31, 2024	0.105	2.59	1,500,000	1,500,000	-
October 23, 2024	0.14	3.32	10,250,000	10,250,000	-
February 9, 2025	0.11	3.62	300,000	300,000	-
March 31, 2025	0.085	3.75	1,000,000	1,000,000	-
June 3, 2025	0.095	3.93	500,000	500,000	-
December 30, 2025	0.205	4.50	2,500,000	2,500,000	-
April 20, 2026	0.21	4.81	1,000,000	1,000,000	-
	0.14	2.48	30,500,000	28,000,000	2,500,000

9. Net income (loss) per common share

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2021 was based on the loss attributable to common shareholders of \$1,127,460 and \$1,890,919, respectively, (three and six months ended June 30, 2020 – net loss of \$496,543 and \$471,232, respectively) and the weighted average number of common shares outstanding of 414,311,797 and 406,899,968, respectively, (three and six months ended June 30, 2020 – 383,076,891 and 382,954,913, respectively). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

10. General and administrative

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
		(Restated note 15)		(Restated note 15)
Wages and incentive compensation (note 11)	\$ 52,709	\$ 44,371	\$ 154,437	\$ 68,448
Finance costs	50,995	-	50,995	-
Marketing and promotion	20,270	17,319	42,383	52,242
Professional fees (note 11)	113,548	30,898	248,606	181,672
AIM listing costs	609,114	-	609,114	-
Office and general	117,832	113,389	251,426	282,684
	\$ 964,468	\$ 205,977	\$ 1,356,961	\$ 585,046

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11. Related party balances and transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) The Company entered into the following transactions with related parties:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Rob Theoret	(i)	45,000	45,000	\$ 90,000	\$ 90,000
10118810 Saskatchewan Ltd	(ii)	45,000	45,000	90,000	90,000

- i) Compensation to the former Chief Financial Officer. For the six months ended June 30, 2021, 75% is included in exploration and evaluation and 25% in general and administrative expenses (six months ended June 30, 2020, – 37.5% and 62.5%, respectively). During the six months ended June 30, 2021, the former Chief Financial Officer received an advance of \$60,000 in the form of a promissory note. The amount was included in Other receivables and was repaid in full subsequent to the six months ended June 30, 2021.
- ii) Controlled by VP, Corporate Services. For the six months ended June 30, 2021, 25% is included in exploration and evaluation and 75% in general and administrative expenses (six months ended June 30, 2020, – 25% and 75%, respectively). During the six months ended June 30, 2021, the VP Corporate Services, received an advance of \$60,000 in the form of a promissory note. The amount was include in Other receivables and was repaid in full subsequent to the six months ended June 30, 2021.

(b) Remuneration of directors and key management personnel, other than consulting fees as disclosed above, of the Company was as follows:

		Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Salaries and benefits	(i)	\$ 137,500	\$ 75,000	\$ 275,000	\$ 150,000
Stock-based compensation		154,137	67,800	526,500	67,800

- (i) For the three and six months ended June 30, 2021 – 76% is included in exploration and evaluation and 24% general and administrative expenses (six months ended June 30, 2020 – 83% and 17% respectively).

The directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services.

c) To the knowledge of the directors and executive officers of the Company as of June 30, 2021, the common shares of the Company were widely held, which includes various 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.

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12. Financial risk management

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's unaudited condensed interim statement of financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall business strategy, diversifying risk, pricing appropriately for risk, mitigation through preventive controls, and transferring risk to third parties.

The long-term investment objective and strategy for the direct investment holdings remain unchanged. The short-term corporate objective and strategy may be modified to reflect global economic, financial and general market conditions, which will inevitably have an impact on the overall risk assessment of the Company. Such modifications may include, among others, streamlining operational costs, preserving cash to the extent possible, and adjusting the strategy for the disposition of securities to reflect market conditions. The Company has invested primarily in the equity securities of Canadian resource issuers. Investors are exposed to the risks and rewards of the Canadian resource sector.

The carrying value of cash, other receivables, amounts payable and other liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The Company's exposure to potential loss from financial instruments relates primarily to its investment activities, and in particular, credit risk, liquidity risk, currency risk, and market risk including credit quality and equity market fluctuation risk as described below.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations; the Company's maximum exposure to credit loss is the book value of its financial instruments. The Company is not exposed to any significant credit risk as at June 30, 2021. The Company's cash is deposited with a major Canadian chartered bank and is held in highly-liquid investments.

As at June 30, 2021, the aggregate gross credit risk exposure related to cash was \$2,693,920 (December 31, 2020 – \$748,946), and was entirely comprised of cash held with financial institutions with an "AA" credit rating or above and securities brokerage firms. As at June 30, 2021, the aggregate gross credit risk exposure related to receivables was \$188,500 (December 31, 2020 – \$37,189) and was primarily comprised of commodity taxes receivables and other receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. All of the Company's financial liabilities are due within one year. The Company manages liquidity risk through the management of its capital structure. As at June 30, 2021, the Company had a total of \$2,693,920 in cash and \$10,700 in investments to settle liabilities of \$813,657.

The Company believes that its cash position and investments in marketable securities will not provide adequate liquidity to meet all of the Company's financial obligations and continue its planned exploration activities for at least the next twelve months (see note 1). The Company anticipates to complete additional financing to improve its liquidity.

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12. Financial risk management (continued)

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company believes it is not significantly exposed to foreign exchange risk at this time as its business activities are denominated in Canadian currency. The Company has exposure to foreign currency risk on its US currency held in the bank. As at June 30, 2021, the Company held US\$8,144 of monetary assets. A 5% fluctuation in the value of the Canadian dollar would result in an increase or decrease to profit or loss of approximately \$100. The Company mitigates the risk of foreign currency fluctuations by converting US currency to Canadian dollars when required to fund expenditures. The Company does not currently hedge its foreign exchange risk.

Market risk

Market risk is the risk of loss arising from adverse changes in financial market rates and prices, such as interest rates, the trading price of equity and other securities, and foreign currency exchange rates. Market risk is directly influenced by the volatility and liquidity in the markets in which the underlying assets are traded. Market price fluctuations and fluctuations in the value of equity securities affect the level and timing of recognition in earnings and comprehensive earnings of gains and losses on securities held. General economic conditions, political conditions and many other factors can also adversely affect the stock markets and consequently, the value of the equity securities held.

Fair values

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Fair value hierarchy

Cash and investments	Level 1	Level 2	Level 3	Total
June 30, 2021	\$ 2,704,620	\$ -	\$ -	\$ 2,704,620
December 31, 2020	\$ 755,251	\$ -	\$ -	\$ 755,251

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Notes to Condensed Interim Financial Statements
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13. Capital management

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimises the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

At June 30, 2021, the Company's capital structure consists of the equity of the Company. The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends.

14. Commitments and contingencies

i) While the Company has performed its own due diligence with respect to title of its properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects. If the Company defaults with respect to making payments or completing assessment work as required in order to keep its permits in good standing, the Company may lose its rights to the properties underlying such claims.

ii) The Company is party to management agreements which require that additional payments to be made upon the occurrence of change of control of 12 months of the consulting fee. As the triggering event has not taken place, the contingent payments have not been reflected in these unaudited condensed interim financial statements.

iii) In addition to the risks disclosed in the Company's Financial Statements for the fiscal year ended December 31, 2020, on June 4, 2021, a statement of claim was filed against the Company, its CEO and HELM AG by Frank Eberhardt, Carl F Peters GmbH & Co., both of Hamburg Germany, and 11664735 Canada Ltd., a Canadian company beneficially owned by Frank Eberhardt. The claim alleges, among other things, that Gensource and HELM AG wrongfully excluded Mr. Eberhardt from investing in the Tugaske Project and seeks to confer upon the plaintiffs the right to invest in and be part of the Tugaske Project and/or damages from the defendants. The Company believes the allegations set out in the claim to be without merit and the Company will vigorously defend itself against the claim.

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Notes to Condensed Interim Financial Statements
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15. Adjustments to Q2 2020 General and administrative expenses

The following is a restatement of exploration and evaluation asset related expenditures that had previously been expensed in general and administrative expenses in Q2 2020. In addition, foreign exchange has been reclassified from general and administrative expenses to a separate line item in the statements of operations and comprehensive income (loss).

Six months ended June 30, 2020	Previously reported	Adjustment	Reclass	Restated
Office and general	\$ 12,078	\$ -	\$ 270,606	\$ 282,684
Foreign exchange gain	-	-	(270,606)	270,606
Project finance costs	1,321,350	(1,321,350)	-	-
Professional fees	305,486	(123,814)	-	181,672
Net income (loss)	(1,916,396)	(1,445,164)	-	(471,232)

Three months ended June 30, 2020	Previously reported	Adjustment	Reclass	Restated
Office and general	\$ 273,846	\$ -	\$ (160,457)	\$ 113,389
Foreign exchange loss	-	-	160,457	(160,457)
Project finance costs	698,924	(698,924)	-	-
Professional fees	154,712	(123,814)	-	30,898
Net income (loss)	(1,319,281)	(822,738)	-	(496,543)

16. Subsequent events

On July 16, 2021, the Company granted 5,750,000 stock options, of which 5,000,000 were granted to certain directors and senior officers of the Company at an exercise price of \$0.215 and are exercisable for a period of 5 years. These options vested immediately.

On August 3, 2021, the Company granted 1,350,000 stock options to an officer and certain independent directors of the Company an exercise price of \$0.22 and are exercisable for a period of 5 years. These options vested immediately.