



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2016
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice to Reader

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

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	As at September 30, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	\$ 2,917,558	\$ 1,781,257
Prepaid expenses and deposits	124,852	78,678
Receivables	39,075	18,280
Total current assets	3,081,485	1,878,215
Non-current assets		
Investments	9,209	4,108
Exploration and evaluation assets (notes 3 and 10)	5,751,892	2,716,272
Property, plant and equipment (note 4)	19,286	20,027
Total non-current assets	5,780,387	2,740,407
Total assets	\$ 8,861,872	\$ 4,618,622
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	\$ 144,960	\$ 61,610
Flow-through premium obligation	385,697	129,500
Total current liabilities	530,657	191,110
Shareholders' equity		
Share capital	20,372,298	15,503,008
Units to be issued	280,000	-
Contributed surplus	2,342,321	2,123,740
Deficit	(14,663,404)	(13,199,236)
Total shareholders' equity	8,331,215	4,427,512
Total shareholders' equity and liabilities	\$ 8,861,872	\$ 4,618,622

Nature of operations and going concern (note 1)

Subsequent events (note 11)

Approved by the Board of Directors:

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

"Paul Martin" (signed) Director
Paul Martin, Director

The notes to the Unaudited Condensed Interim Consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Expenses				
General and administrative (notes 9 and 10)	\$ 579,587	\$ 186,861	\$ 1,150,259	\$ 573,630
Share-based payments (note 6)	135,243	-	271,261	134,469
Depreciation (note 4)	1,417	1,537	3,789	4,611
Reassessed Goods and Service Tax (note 7)	-	-	114,387	-
	716,247	188,398	1,539,696	712,710
Loss before undernoted items	(716,247)	(188,398)	(1,539,696)	(712,710)
Interest income	608	15	2,089	1,067
Unrealized gain on FVTPL investments	4,622	1,147	5,101	1,958
Flow-through premium obligation discharged	8,398	-	15,658	-
Loss and comprehensive loss	\$ (702,619)	\$ (187,236)	\$ (1,516,848)	\$ (709,685)
Basic and diluted net loss per share (note 8)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	210,033,773	138,576,046	191,551,208	136,677,328

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)

	Nine Months Ended	
	September 30,	
	2016	2015
Operating activities		
Net loss	\$ (1,516,848)	\$ (709,685)
Adjustments for:		
Depreciation	3,789	4,611
Share-based payments	271,261	134,469
Unrealized gain on FVTPL investments	(5,101)	(1,958)
Flow-through premium obligation discharged	(15,658)	-
	(1,262,557)	(572,563)
Changes in non-cash working capital	16,381	(87,937)
Net cash used in operating activities	(1,246,176)	(660,500)
Investing activities		
Purchase of property, plant and equipment	(3,048)	-
Acquisition and expenditures on exploration and evaluation assets	(3,035,620)	(240,238)
Net cash used in investing activities	(3,038,668)	(240,238)
Financing activities		
Cash proceeds for shares to be issued	280,000	160,000
Cash proceeds from issuance of units	5,009,501	229,250
Cash proceeds from exercise of warrants	514,998	-
Cost of issuance	(383,354)	(840)
Net cash provided by financing activities	5,421,145	388,410
Net change in cash	1,136,301	(512,328)
Cash, beginning of period	1,781,257	575,841
Cash, end of period	\$ 2,917,558	\$ 63,513

The notes to the Unaudited Condensed Interim Consolidated financial statements are an integral part of these statements.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Issued shares	Share capital	Units to be issued	Contributed surplus	Deficit	Total
Balance, December 31, 2014	127,527,497	\$12,630,628	\$ 635,500	\$ 1,877,671	\$(12,127,080)	\$ 3,016,719
Prior year units issued in the year (note 5(b)(i))	10,578,571	740,500	(635,500)	-	-	105,000
Issuance of units (note 5(b)(i))	1,710,715	124,250	160,000	-	-	284,250
Issuance cost - non-cash	-	(840)	-	-	-	(840)
Share-based payments (note 6)	-	-	-	134,469	-	134,469
Flow-through premium (note 5(b)(ii))	-	(4,500)	-	-	-	(4,500)
Loss and comprehensive loss for the period	-	-	-	-	(709,685)	(709,685)
Balance, September 30, 2015	139,816,783	\$13,490,038	\$ 160,000	\$ 2,012,140	\$(12,836,765)	\$ 2,825,413
Balance, December 31, 2015	169,941,205	\$15,503,008	\$ -	\$ 2,123,740	\$(13,199,236)	\$ 4,427,512
Forfeiting of stock options	-	-	-	(52,680)	52,680	-
Issuance of units (note 5(b)(iii)(iv))	58,989,718	5,009,501	-	-	-	5,009,501
Issuance of units from exercise of warrants	10,299,967	514,998	280,000	-	-	794,998
Issuance cost - cash	-	(383,354)	-	-	-	(383,354)
Share-based payments (note 6)	-	-	-	271,261	-	271,261
Flow-through premium (note 5(b)(iv))	-	(271,855)	-	-	-	(271,855)
Loss and comprehensive loss for the period	-	-	-	-	(1,516,848)	(1,516,848)
Balance, September 30, 2016	239,230,890	\$20,372,298	\$ 280,000	\$ 2,342,321	\$(14,663,404)	\$ 8,331,215

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

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

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

On June 28, 2013, Gensource Potash Corporation 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 November 29, 2016.

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the nine months ended September 30, 2016, the Company had a loss and comprehensive loss of \$1,516,848. As at September 30, 2016, the Company had working capital of \$2,550,828 and an accumulated deficit in the amount of \$14,663,404. 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 November 29, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2015, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2016 could result in restatement of these unaudited condensed interim consolidated financial statements.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

2. Summary of significant accounting policies (continued)

Recent accounting pronouncement

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

3. Exploration and evaluation assets

Other Projects

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

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

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 (note 11). 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 on July 11, 2016), payable as two installments : \$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.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

3. Exploration and evaluation assets (continued)

The Vanguard Project (continued)

Cost	Lothar	Lazlo	Vanguard	Total
Balance, December 31, 2014	\$ 1,693,676	\$ 734,378	\$ -	\$ 2,428,054
Additions:				
Property acquisition and surface access fees	10,038	26,947	-	36,985
Geological and project management	-	251,233	-	251,233
Balance, December 31, 2015	1,703,714	1,012,558	-	2,716,272
Additions:				
Property acquisition and surface access fees	7,039	6,904	2,764,692	2,778,635
Geological and project management	-	33,450	223,535	256,985
Balance, September 30, 2016	\$ 1,710,753	\$ 1,052,912	\$ 2,988,227	\$ 5,751,892

Executive compensation capitalized as exploration and evaluation assets was \$75,000 for the nine months ended September 30, 2016 (year ended December 31, 2015 - \$90,000).

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

4. Property, plant and equipment

Cost

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2015	111,708	82,600	12,350	95,853	302,511
Additions	1,000	2,048	-	-	3,048
Balance, September 30, 2016	112,708	84,648	12,350	95,853	305,559

Accumulated depreciation

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2015	98,076	76,205	12,350	95,853	282,484
Depreciation for the period	2,120	1,669	-	-	3,789
Balance, September 30, 2016	100,196	77,874	12,350	95,853	286,273

Carrying amount

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
At December 31, 2015	13,632	6,395	-	-	20,027
At September 30, 2016	12,512	6,774	-	-	19,286

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital

a) Authorized share capital

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

b) Common shares

At September 30, 2016, the Company has 239,230,890 common shares (December 31, 2015 – 169,941,205) issued and outstanding.

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

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

ii) On July 16, 2015, the Company completed a non-brokered private placement financing. The Company raised gross proceeds of \$124,250 through the sale of 450,000 flow-through shares at \$0.08 per share and 1,260,715 non-flow-through shares at \$0.07 per share.

As a result of the issuance of flow-through units, a flow-through premium of \$4,500 was calculated. The entire balance of flow-through premium has been presented as a current liability in the consolidated statements of financial position.

iii) On May 6, 2016, the Company completed a non-brokered private placement of 28,571,429 units at a price of \$0.07 per unit for aggregate gross proceeds of \$2,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of \$0.12 for a period of twenty-four months. These warrants were assigned a value of \$1,014,286 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: 0.56%;
- Expected life: 2 years;
- Expected volatility: 140% based on historical trends; and
- Weighted average share price: \$0.08.

The Company paid a total of \$62,513 in finders fees and issued 893,060 broker warrants associated with the closing. 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. These warrants were assigned a value of \$50,011 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: 0.56%;
- Expected life: 2 years;
- Expected volatility: 140% based on historical trends; and
- Weighted average share price: \$0.08.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

5. Share capital (continued)

iv) On September 19, 2016, the Company completed the first tranche of a brokered private placement of 13,592,731 flow-through shares ("Flow-through Shares") at a price of \$0.11 per Flow-through Share and 16,825,558 units ("Units") at a price of \$0.09 per Unit for aggregate gross proceeds of \$3,009,501. Each Unit consists of one common share and one purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of \$0.15 for a period of twelve months. These warrants were assigned a value of \$403,813 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: 0.58%;
- Expected life: 1 year;
- Expected volatility: 125% based on historical trends; and
- Weighted average share price: \$0.08.

As a result of the issuance of flow-through units, a flow-through premium of \$271,855 was calculated. The entire balance of flow-through premium has been presented as a current liability in the consolidated statements of financial position.

The Company paid a total of \$320,841 in finders fees and issued 991,055 and 1,266,467 broker warrants associated with the closing, entitles the holder thereof to purchase one common share at exercise prices of \$0.11 and \$0.09, respectively, for a period of twenty-four months. These warrants were assigned a value of \$109,903 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: 0.58%;
- Expected life: 2 years;
- Expected volatility: 130% based on historical trends; and
- Weighted average share price: \$0.08.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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, 2014	28,527,958	0.05
Issued (note 5(i))	5,289,286	0.10
Balance, September 30, 2015	33,817,244	0.06
Balance, December 31, 2015	43,443,096	0.08
Issued (note 5(b)(iii)(iv))	34,261,855	0.13
Exercised	(10,299,967)	0.05
Expired	(14,000,033)	0.05
Balance, September 30, 2016	53,404,951	\$0.13

Issue date	Expiry date	Exercise price	Number of warrants
February 18, 2015	February 18, 2017	\$0.10	5,289,286
November 6, 2015	November 6, 2017	\$0.12	3,537,285
December 29, 2015	December 29, 2017	\$0.12	10,036,425
December 31, 2015 ⁽¹⁾	December 31, 2017	\$0.07	280,100
May 6, 2016	May 5, 2018	\$0.12	14,285,715
May 6, 2016 ⁽²⁾	May 5, 2018	\$0.07	893,060
September 19, 2016	September 19, 2017	\$0.15	16,825,558
September 19, 2016 ⁽³⁾	September 19, 2018	\$0.11	991,055
September 19, 2016 ⁽⁴⁾	September 19, 2018	\$0.09	1,266,467
Weighted average exercise price		\$0.13	53,404,951

⁽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 common share at an exercise price of \$0.09 for a period of 24 months.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2014	11,641,748	0.10
Granted ⁽¹⁾	2,168,859	0.07
Expired/forfeited	(2,000,000)	0.10
Balance, September 30, 2015	11,810,607	0.08
Balance, December 31, 2015	13,610,607	0.08
Granted ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	7,200,000	0.07
Expired/forfeited	(3,700,000)	(0.08)
Balance, September 30, 2016	17,110,607	0.08

The weighted average grant date fair value of options granted during the nine months ended September 30, 2016 was \$0.07 (September 30, 2015 - \$0.06).

⁽¹⁾ On April 17, 2015, the Company granted 2,168,859 options, of which 1,868,859 were granted to certain directors and officers of the Company and 300,000 were granted to consultants. The stock options each have an exercise price of \$0.07 per share and are exercisable for a period of 5 years. The options will vest immediately. The estimated fair value of these options at the grant date was \$134,469 using the Black-Scholes valuation model. The estimated fair value of the options has been charged during the year to the consolidated statements of operations and comprehensive loss and credited to contributed surplus in shareholders' equity. During the three and nine months ended September 30, 2015, \$134,469 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: 0.85%;
- Expected life: 5.0 years;
- Expected volatility: 140.5% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.07.

⁽²⁾ On April 20, 2016, the Company granted 1,500,000 options to certain directors and officers of the Company. The stock options each have an exercise price of \$0.07 per share and are exercisable for a period of 5 years. The options will vest immediately. The estimated fair value of these options at the grant date was \$121,500 using the Black-Scholes valuation model. The estimated fair value of the options has been charged to the consolidated statements of operations and comprehensive loss and credited to contributed surplus in shareholders' equity. During the three and nine months ended September 30, 2016, \$121,500 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: 0.8%;
- Expected life: 5.0 years;
- Expected volatility: 141% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.09.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options (continued)

⁽³⁾ On June 7, 2016, the Company granted 3,200,000 options, of which 3,000,000 were granted to certain directors and officers of the Company and 200,000 were granted to employees. The stock options each have an exercise price of \$0.06 per share 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 \$230,400 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2016, \$58,073 and \$72,592, 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: 0.63%;
- Expected life: 5.0 years;
- Expected volatility: 141.7% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.08.

⁽⁴⁾ On June 7, 2016, the Company granted 500,000 options to a consultant of the Company. The stock options each have an exercise price of \$0.08 per share and are exercisable for a period of 5 years. The options will vest upon signing of a definitive agreement with NMDC, which at this time the Company is unaware of how long it will take. As a result, during the three and nine months ended September 30, 2016, no expense was recorded. The estimated fair value of these options at the grant date was \$35,500 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: 0.63%;
- Expected life: 5.0 years;
- Expected volatility: 141.7% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.08.

⁽⁵⁾ On September 8, 2016, the Company granted 1,000,000 options to a director of the Company. The stock options each have an exercise price of \$0.08 per share and are exercisable for a period of 5 years. The options vested immediately at the grant date. The estimated fair value of these options at the grant date was \$75,000 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2016, \$75,000 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: 0.68%;
- Expected life: 5.0 years;
- Expected volatility: 140% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.085.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

6. Stock options (continued)

⁽⁶⁾ On September 19, 2016, the Company granted 1,000,000 options to an employee of the Company. The stock options each have an exercise price of \$0.06 per share 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 \$72,000 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2016, \$2,170 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: 0.73%;
- Expected life: 5.0 years;
- Expected volatility: 140% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.08.

The following table reflects the stock options issued and outstanding as of September 30, 2016:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
August 24, 2017	0.10	0.90	1,050,000	1,050,000	-
November 29, 2017	0.10	1.16	100,000	100,000	-
November 29, 2017	0.10	1.16	100,000	100,000	-
January 23, 2019	0.10	2.32	3,091,748	3,091,748	-
October 24, 2019	0.06	3.07	2,100,000	2,100,000	-
April 16, 2020	0.07	3.55	2,168,859	2,168,859	-
October 1, 2020	0.07	4.01	1,800,000	1,800,000	-
April 19, 2021	0.07	4.55	1,000,000	1,000,000	-
June 6, 2021	0.06	4.68	3,200,000	-	3,200,000
June 6, 2021	0.08	4.68	500,000	-	500,000
September 7, 2021	0.08	4.94	1,000,000	1,000,000	-
September 18, 2021	0.06	4.97	1,000,000	-	1,000,000
	0.07	3.59	17,110,607	12,410,607	4,700,000

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

During the three and nine months ended September 30, 2016, the Company made payments of \$nil and \$114,387, respectively as a result of reassessed GST returns filed for the period from July 1, 2011 to December 31, 2012. The amount of \$114,387 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.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

8. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2016 was based on the loss attributable to common shareholders of \$702,619 and \$1,516,848, respectively (three and nine months ended September 30, 2015 – \$187,236 and \$709,685, respectively) and the weighted average number of common shares outstanding of 210,033,773 and 191,551,208, respectively (three and nine months ended September 30, 2015 – 138,576,046 and 136,677,328, respectively). 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Wages, benefits and incentive compensation	\$ 306,215	\$ 1,873	\$ 320,190	\$ 17,435
Sales and marketing	60,256	40,906	187,990	88,159
Professional fees (note 10)	115,872	72,787	321,608	230,296
Office and general	97,244	71,295	320,471	237,740
	\$ 579,587	\$ 186,861	\$ 1,150,259	\$ 573,630

10. Related party balances and transactions

During the three and nine months ended September 30, 2016, the Company had the following related party transactions:

a) Included in general and administrative expenses and exploration and evaluation assets for the three and nine months ended September 30, 2016 are short term employee salaries and benefits to key management and director compensation of \$120,000 and \$300,000, respectively (three and nine months ended September 30, 2015 - \$90,000 and \$270,000, respectively). Key management compensation consists of the following:

During the three and nine months ended September 30, 2016, compensation, salaries and benefits of \$290,000 and \$425,000, respectively, (three and nine months ended September 30, 2015 - \$67,500 and \$202,500, respectively) were paid to a director and officers of the Company or related companies controlled by the director, officers and former officers of the Company.

During the three and nine months ended September 30, 2016, the Company also paid compensation of \$130,000 and \$175,000, respectively to the VP Corporate Services (three and nine months ended September 30, 2015 - \$22,500 and \$67,500, respectively).

During the three and nine months ended September 30, 2016, share-based payments of \$75,000 and \$210,111 were rewarded to a director and officers of the Company (three and nine months ended September 30, 2015 - \$nil).

b) To the knowledge of the directors and executive officers of the Company as of September 30, 2016, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

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

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

11. Subsequent events

(i) On October 26, 2016, the Company completed the second tranche of the brokered private placement financing (the "Offering") previously announced, consisting of the sale of 2,490,559 units at a price of \$0.09 per unit for aggregate gross proceeds of \$224,150. Each unit consisted of one common share in the capital stock of the Company and one common share purchase warrant ("Warrant"). Each Warrant is exercisable at a price of \$0.15 per share beginning on the date that is 12 months following the closing date of the Offering (the "Closing Date") and expiring on the date that is 24 months following the Closing Date. The Offering was completed by Industrial Alliance Securities Inc. (the "Agent"). A cash commission of \$14,532 was paid to the Agent, including the issuance to the Agent (and members of the Agent's selling group) of 161,467 agent's units exercisable into Units at a price of \$0.09 per agent's unit for a period of 24 months following the Closing Date.

(ii) On November 1, 2016, 300,000 stock options were exercised for the cash proceeds of \$23,000.

(iii) On October 17, 2016, the APA for the Vanguard Project was closed. The assets that were the subject of the APA, two mineral extraction leases KL 244 and KL 245 ("Lease" or "Leases"), are now 100% owned by Gensource.

(iv) On November 29, 2016, the Company announced that it has signed a non-binding Memorandum of Understanding (MOU) with Essel Group Middle East Limited ("EGME") to form a joint venture company ("JV") that will be tasked with advancing one of Gensource's small scale potash projects through to production. The objective of EGME and Gensource is to create and deliver a new and independent supply of potash to the potash market.