CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER-30-17

(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, 2017	As at December 31, 2016
ASSETS		
Current assets		
Cash	**$ 151,766**	$ 1,957,093
Prepaid expenses and deposits	**269,085**	88,174
GST/HST and other receivables	**118,206**	173,821
Total current assets	**539,057**	2,219,088
Non-current assets		
Investments	**9,190**	9,199
Exploration and evaluation assets (notes 3 and 10)	**11,445,687**	6,904,051
Property, plant and equipment (note 4)	**16,443**	20,357
Total non-current assets	**11,471,320**	6,933,607
Total assets	**$ 12,010,377**	$ 9,152,695
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	**$ 622,571**	$ 2,269,499
Flow-through premium obligation (note 5(b)(iv))	**167,755**	306,629
Total current liabilities	**790,326**	2,576,128
Shareholders' equity		
Share capital (note 5)	**26,072,301**	20,296,454
Units to be issued	**-**	15,400
Contributed surplus	**3,335,367**	2,415,432
Deficit	**(18,187,617)**	(16,150,719)
Total shareholders' equity	**11,220,051**	6,576,567
Total shareholders' equity and liabilities	**$ 12,010,377**	$ 9,152,695

Nature of operations and going concern (note 1)
Subsequent events (note 11)

Approved by the Board of Directors:

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

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

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

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Expenses				
General and administrative (notes 9 and 10)	**$ 496,870**	$ 579,587	**$ 1,336,896**	$ 1,150,259
Share-based payments (note 6)	**278,584**	135,243	**1,016,495**	271,261
Depreciation (note 4)	**1,305**	1,417	**3,914**	3,789
Reassessed Goods and Service Tax (note 7)	**-**	-	**-**	114,387
	776,759	716,247	**2,357,305**	1,539,696
Loss before under noted items	**(776,759)**	(716,247)	**(2,357,305)**	(1,539,696)
Interest income	**534**	608	**4,142**	2,089
Unrealized gain (loss) on FVTPL investments	**1,137**	4,622	**(9)**	5,101
Flow-through premium obligation discharged	**9,645**	8,398	**316,274**	15,658
Loss and comprehensive loss	**$ (765,443)**	$ (702,619)	**$ (2,036,898)**	$ (1,516,848)
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	**294,223,741**	210,033,773	**284,210,589**	191,551,208

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, 2017	Nine Months Ended September 30, 2016
Operating activities		
Net loss	**$ (2,036,898)**	$ (1,516,848)
Adjustments for:		
Depreciation	**3,914**	3,789
Share-based payments	**1,016,495**	271,261
Unrealized loss (gain) on FVTPL investments	**9**	(5,101)
Flow-through premium obligation discharged	**(316,274)**	(15,658)
	(1,332,754)	(1,262,557)
Changes in non-cash working capital	**(1,772,225)**	16,381
Net cash used in operating activities	**(3,104,979)**	(1,246,176)
Investing activities		
Purchase of property, plant and equipment	**-**	(3,048)
Acquisition and expenditures on exploration and evaluation assets	**(4,541,636)**	(3,035,620)
Net cash used in investing activities	**(4,541,636)**	(3,038,668)
Financing activities		
Cash proceeds for shares to be issued	**-**	280,000
Cash proceeds from issuance of units	**5,066,242**	5,009,501
Cash proceeds from exercise of warrants	**975,716**	514,998
Cost of issuance	**(369,670)**	(383,354)
Cash proceeds from exercise of stock options	**169,000**	-
Net cash provided by financing activities	**5,841,288**	5,421,145
Net change in cash	**(1,805,327)**	1,136,301
Cash, beginning of period	**1,957,093**	1,781,257
Cash, end of period	**$ 151,766**	$ 2,917,558

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

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

	Issued shares	Share capital	Units to be issued	Contributed surplus	Deficit	Total
Balance, December 31, 2015	**169,941,205**	**$ 15,503,008**	**$ -**	**$ 2,123,740**	**$ (13,199,236)**	**$ 4,427,512**
Forfeiting of stock options				(52,680)	52,680	
Issuance of units (note 5(b)(i)(ii))	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)(ii))	-	(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**
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)(iii),(iv)(v))	37,851,838	4,699,373	(15,400)	-	-	4,683,973
Issuance of units from exercise of warrants	9,144,738	1,357,984	-	-	-	1,357,984
Issuance cost - cash	-	(369,670)	-	-	-	(369,670)
Share-based payments (note 6)	-	-	-	1,016,495	-	1,016,495
Flow-through premium (note 5(b)(iv))	-	(177,400)	-	-	-	(177,400)
Issuance of units from exercise of options	1,950,000	265,560	-	(96,560)	-	169,000
Loss and comprehensive loss for the period	-	-	-	-	(2,036,898)	(2,036,898)
Balance, September 30, 2017	**296,555,525**	**$ 26,072,301**	**$ -**	**$ 3,335,367**	**$ (18,187,617)**	**$ 11,220,051**

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 November 29, 2017.

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2017, the Company had working capital deficiency of $251,269 and an accumulated deficit in the amount of $18,187,617. 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 November 29, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2016, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

Recent accounting pronouncement

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

3. Exploration and evaluation assets

The Lothar Project

Beginning in November 2011, the Company began acquiring freehold potash leases from private mineral titleholders in one prospect area (the "Lothar" potash prospect) in southeast Saskatchewan. The Lothar Project is comprised of 47 potash leases covering 10,277.82 acres of freehold subsurface mineral rights in the vicinity of the town of Lemberg, Saskatchewan. In December 2016, the Company has made the decision to not pursue the project and therefore recorded an impairment of the related exploration and evaluation assets.

The Lazlo Project

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

The Vanguard Project

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

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

APA is now fully closed and all conditions have been met. The APA defined the terms for the purchase by the Company of two potash exploration permits ("Permit" or "Permits") conditional upon their conversion into mineral production leases ("Lease" or "Leases") and also contains a Term Sheet that defines key terms for the future sale of potash product from the proposed facility. Key terms of the transaction include a purchase price of $2,480,000 (paid in full in July 2016), payable as two installments: (i) $1,240,000 in cash at closing within 30 days of the effective date of the APA; and, (ii) a convertible debenture to YCR in the principal amount of $1,240,000 that is due on the later of 90 days of the effective date of the APA and the close of the transaction, payable in cash or convertible to shares in the Company if sufficient funds are not raised. The shares would be issued at an exercise price equal to the 20 day VWAP prior to the maturity date. The Company has now paid the full $2,480,000 purchase price as well as approximately $300,000 for the Lease conversion costs, the debenture is cancelled.

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 is 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 recent 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.

(Expressed in Canadian Dollars)

3. Exploration and evaluation assets (continued)

Cost	Lothar	Lazlo	Vanguard	Total
Balance, December 31, 2015	**$ 1,703,714**	**$ 1,012,558**	**$ -**	**$ 2,716,272**
Additions:				
Property acquisition and surface access fees	7,039	7,868	2,824,389	2,839,296
Geological and project management	-	68,450	377,798	446,248
Engineering	-	-	675,946	675,946
Drilling	-	-	1,937,042	1,937,042
Impairment	(1,710,753)	-	-	(1,710,753)
Balance, December 31, 2016	**$ -**	**$ 1,088,876**	**$ 5,815,175**	**$ 6,904,051**
Additions:				
Property acquisition and surface access fees	-	10,263	288,365	298,628
Geological and project management	-	9,000	212,650	221,650
Engineering	-	-	2,490,373	2,490,373
Drilling	-	-	567,727	567,727
Seismic	-	-	905,720	905,720
Environmental	-	-	57,538	57,538
Balance, September 30, 2017	**$ -**	**$ 1,108,139**	**$ 10,337,548**	**$ 11,445,687**

Executive compensation capitalized as exploration and evaluation assets was $67,500 for the nine months ended September 30, 2017 (year ended December 31, 2016 - $120,000).

(Expressed in Canadian Dollars)

4. Property, plant and equipment

Cost

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
Balance, December 31, 2016	**106,692**	**90,836**	**12,350**	**95,853**	**305,731**
Balance, September 30, 2017	**106,692**	**90,836**	**12,350**	**95,853**	**305,731**

Accumulated depreciation

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
Balance, December 31, 2016	**97,812**	**79,359**	**12,350**	**95,853**	**285,374**
Depreciation for the period	1,332	2,582	-	-	3,914
Balance, September 30, 2017	**99,144**	**81,941**	**12,350**	**95,853**	**289,288**

Carrying amount

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
At December 31, 2016	**8,880**	**11,477**	**-**	**-**	**20,357**
At September 30, 2017	**7,548**	**8,895**	**-**	**-**	**16,443**

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, 2017, the Company has 296,555,525 common shares (December 31, 2016 – 247,608,949) issued and outstanding.

i) 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 $700,000 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 finder's fees and issued 893,050 broker warrants associated with the closing. 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. These warrants were assigned a value of $36,615 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: $0.07.

5. Share capital (continued)

b) Common shares (continued)

ii) On September 19, 2016, the Company completed 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 non-flow-through shares ("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 $673,022 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: 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 $815,564 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 finder's fees and issued 991,055 broker warrants associated with the closing, entitling the holder thereof to purchase one common share at exercise price of $0.11 for a period of twenty-four months. These warrants were assigned a value of $46,580 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.

The Company also issued 1,266,467 broker warrants associated with the closing, entitling the holder thereof to purchase one unit, which consists of one common share and one common share purchase warrant, at an exercise price of $0.15 for a period of 24 months. These warrants were assigned a value of $62,057 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: $0.09.

5. Share capital (continued)

b) Common shares (continued)

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

The Company also paid a total of $122,109 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.

iv) On May 31, 2017, the Company completed tranche one of a brokered private placement of 8,870,000 flow-through shares ("Flow-through Shares)" at a price of $0.20 per Flow-through Share and 1,634,110 non-flow-through shares at a price of $0.18 per Unit for aggregate gross proceeds of $2,068,140.

As a result of the issuance of flow-through units, a flow-through premium of $177,400 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 $169,851 in finder's fees and issued 861,884 broker warrants associated with the closing, entitling the holder thereof to purchase one common share at exercise price of $0.18 for a period of eighteen months. These warrants were assigned a value of $65,965 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: 0.69%;
- Expected life: 1.5 years;
- Expected volatility: 106% based on historical trends; and
- Weighted average share price: $0.165.

v) On June 29, 2017, the Company completed tranche two of a brokered private placement of 75,000 non-flow-through shares at a price of $0.18 per Unit for aggregate gross proceeds of $13,500.

The Company paid a total of $810 in finder's fees and issued 3,000 broker warrants associated with the closing, entitling the holder thereof to purchase one common share at exercise price of $0.18 for a period of eighteen months. These warrants were assigned a value of $187 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.09%;
- Expected life: 1.5 years;
- Expected volatility: 106% based on historical trends; and
- Weighted average share price: $0.145.

(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, 2015	**43,443,096**	**0.08**
Issued (note 5(b)(i)(ii))	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**
Balance, December 31, 2016	**55,969,467**	**0.13**
Issued (note 5(b)(iii)(iv)(v))	16,151,131	0.17
Exercised	(9,144,738)	0.11
Expired	(903,571)	0.10
Balance, September 30, 2017	**62,072,289**	**$0.14**

(Expressed in Canadian Dollars)

5. Share capital (continued)

c) Warrants (continued)

Issue date	**Expiry date**	**Exercise price**	**Number of warrants**
November 6, 2015	November 6, 2017	$0.12	1,520,285
December 29, 2015	December 29, 2017	$0.12	10,036,425
December 31, 2015	December 31, 2017	$0.12	125,000
December 31, 2015 (1)	December 31, 2017	$0.07	30,100
May 6, 2016	May 5, 2018	$0.12	12,943,365
May 6, 2016 (2)	May 5, 2018	$0.07	367,245
September 19, 2016	September 19, 2018	$0.15	16,747,641
September 19, 2016 (3)	September 19, 2018	$0.11	894,485
September 19, 2016 (4)	September 19, 2018	$0.09	1,144,384
October 26, 2016	October 26, 2018	$0.15	2,520,372
October 26, 2016 (5)	October 26, 2018	$0.09	131,654
January 20, 2017	January 20, 2019	$0.17	13,636,364
January 20, 2017(6)	January 20, 2019	$0.11	1,110,085
May 31, 2017(7)	November 30, 2018	$0.18	861,884
June 29, 2017(7)	December 29, 2018	$0.18	3,000
Weighted average exercise price		$0.14	62,072,289

(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 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

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

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

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

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

(7) 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.

(Expressed in Canadian Dollars)

6. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2015	**13,610,607**	**0.08**
Granted [1][2][3]	7,200,000	0.07
Expired/forfeited	(3,200,000)	0.08
Balance, September 30, 2016	**17,610,607**	**0.08**
Balance, December 31, 2016	**16,510,607**	**0.08**
Granted [4][5][6][7][8]	11,050,000	0.15
Exercised	(1,950,000)	0.09
Balance, September 30, 2017	**25,610,607**	**0.11**

The weighted average grant date fair value of options granted during the nine months ended September 30, 2017 was $0.13 (September 30, 2016 - $0.07).

(1) 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 after 1 year from the date of grant. The estimated fair value of these options at the grant date was $121,500 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2017, $nil and $24,411, respectively was expensed (three and nine months ended September 30, 2016 - $nil and $121,500, respectively). 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.

(2) 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, 2017, $nil and $99,735, respectively was expensed (three and nine months ended September 30, 2016 - $58,073 and $72,592, respectively). 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.

6. Stock options (continued)

(3) 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 uncertain of how long it will take. As a result, during the three and nine months ended September 30, 2017 and 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.

(4) 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 after 1 year from the date of grant. 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, 2017, $14,383 and $51,575, respectively was expensed (three and nine months ended September 30, 2016 - $75,000). 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.

(5) 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, 2017, $15,978 and $51,682, respectively was expensed (three and nine months ended September 30, 2016 - $2,170). 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.

6. Stock options (continued)

(6) 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 $545,900 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2017, $137,596 and $330,531, 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: 1.17%;
- 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.

(7) On February 21, 2017, the Company granted 750,000 stock options at an exercise price of $0.17 and are exercisable for a period of 5 years. 450,000 options vested immediately and the the remaining 300,000 options will vest with the following terms: 75,000 options on May 21, 2017, 75,000 options on August 21, 2017, 75,000 options on November 21, 2017, 75,000 options on February 21, 2018. The estimated fair value of these options at the grant date was $103,500 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2017, $8,075 and $97,966, 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: 1.17%;
- 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.

(8) On April 24, 2017, the Company granted 3,000,000 options to consultants of the Company. The stock options each have an exercise price of $0.18 per share and are exercisable for a period of 5 years. The options vested 750,000 immediately, 750,000 in one year and 1,500,000 when Vanguard 1 reaching design capacity. The estimated fair value of these options at the grant date was $465,000 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2017, $42,813 and $190,243, 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: 1.03%;
- Expected life: 5.0 years;
- Expected volatility: 132% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.18.

6. Stock options (continued)

(9) On May 10, 2017, the Company granted 500,000 options to a consultant of the Company. The stock options each have an exercise price of $0.18 per share and are exercisable for a period of 5 years. The options vest 500,000 in one year and 1,000,000 on final closing of JV Partnership, but not sooner that one year. The estimated fair value of these options at the grant date was $77,500 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2017, $77,500 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: 1.06%;
- Expected life: 5.0 years;
- Expected volatility: 131% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.18.

(10) On May 10, 2017, the Company granted 1,500,000 options to a consultant of the Company. The stock options each have an exercise price of $0.14 per share and are exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was $237,000 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2017, $59,737 and $92,852, 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: 1.06%;
- Expected life: 5.0 years;
- Expected volatility: 131% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.18.

(Expressed in Canadian Dollars)

6. Stock options (continued)

The following table reflects the stock options issued and outstanding as of September 30, 2017:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
November 29, 2017	0.10	0.16	100,000	100,000	-
November 29, 2017	0.10	0.16	100,000	100,000	-
January 23, 2019	0.10	1.32	2,791,748	2,791,748	-
October 24, 2019	0.06	2.07	1,200,000	1,200,000	-
April 16, 2020	0.07	2.55	1,868,859	1,868,859	-
October 1, 2020	0.07	3.01	1,300,000	1,300,000	-
April 19, 2021	0.07	3.55	1,000,000	1,000,000	-
June 6, 2021	0.06	3.68	3,200,000	3,200,000	-
June 6, 2021	0.08	3.68	500,000	-	500,000
September 7, 2021	0.08	3.94	1,000,000	1,000,000	-
September 18, 2021	0.06	3.97	1,000,000	1,000,000	-
December 6, 2021	0.10	4.19	500,000	500,000	-
February 20, 2022	0.13	4.39	5,300,000	-	5,300,000
February 20, 2022	0.17	4.39	750,000	600,000	150,000
April 23, 2022	0.18	4.56	3,000,000	750,000	2,250,000
May 9, 2022	0.18	4.61	500,000	500,000	-
May 9, 2022	0.14	4.61	1,500,000	-	1,500,000
	0.11	**3.57**	**25,610,607**	**15,910,607**	**9,700,000**

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

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

8. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2017 was based on the loss attributable to common shareholders of $765,443 and $2,036,898, respectively (three and nine months ended September 30, 2016 – $702,619 and $1,516,848, respectively) and the weighted average number of common shares outstanding of 294,223,741 and 284,210,589, respectively (three and nine months ended September 30, 2016 – 210,033,773 and 191,551,208, respectively). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

(Expressed in Canadian Dollars)

9. General and administrative

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Wages, benefits and incentive compensation	**$ 2,162**	$ 306,215	**$ 55,050**	$ 320,190
Sales and marketing	**213,120**	60,256	**417,429**	187,990
Professional fees (note 10)	**120,163**	115,872	**442,632**	321,608
Office and general	**161,425**	97,244	**421,785**	320,471
	$ 496,870	$ 579,587	**$ 1,336,896**	$ 1,150,259

10. Related party balances and transactions

a) During the three and nine months ended September 30, 2017, compensation, salaries and benefits of $180,000 and $540,000, respectively, (three and nine months ended September 30, 2016 - $420,000 and $600,000, respectively) 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 and nine months ended September 30, 2017, share-based payments of $131,212 and $450,129, respectively were rewarded to a director and officers of the Company (three and nine months ended September 30, 2016 - $75,000 and $210,111, respectively).

c) To the knowledge of the directors and executive officers of the Company as of September 30, 2017, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

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

11. Subsequent events

(i) On October 2, 2017, the Company announced it considers the JV Shareholder Agreement with Essel Group ME Limited null and void. Despite an extension of the deadline for the Initial Contribution and recent planning meetings for the JV, as of October 2, 2017, Vanguard has not received the Initial Contribution resulting in the Company considering the JV Shareholder Agreement as null and void.

(ii) Subsequent to September 30, 2017, 1,520,285 warrants expired unexercised on November 6, 2017.

(iii) On November 14, 2017, the Company granted an aggregate of 1,000,000 stock options to a director at an exercise price of $0.08 with an expiration date of November 14, 2022. These options vest immediately.

(iv) Under the terms of the Company’s Stock Option Plan, if the option expiry date falls within a black-out period, the expiry date will automatically be extended to the date which is the fifth business day after the end of black-out period. The options scheduled to expire on November 29, 2017, have not yet expired because there has been a black-out period in effect for the Company.

11. Subsequent events (continued)

(v) On November 29, 2017, the Company completed tranche one of the November 22, 2017 announced non-brokered private financing (the “Offering”) of 23,076,924 Common shares of the Company at a price of $0.065 per common for a gross proceeds of up to $1.5 million. The non-brokered private financing is subject to an over-allotment option, allowing the Company to issue an additional 3,461,538 common shares. Tranche one of the Offering consisted of the sale of 10,360,768 common shares of the Company for gross proceeds of $673,450. Tranche two of the Offering is expected to close on or before December 15th, 2017.

Additionally, the Company paid commissions on the Offering to certain finders. The commissions paid to the finders consisted of a cash payments of $34,580 and the issuance to the finders of 532,000 agent’s warrants, exercisable into Common Shares at $0.065 per agent’s warrant for a period of 18 months following the Closing Date.