



**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2018  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

---

**Notice to Reader**

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

---

# Gensource Potash Corporation

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

---

	As at September 30, 2018	As at December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,562,686	\$ 464,905
Prepaid expenses and deposits	29,131	181,124
GST/HST and other receivables	29,442	201,602
<b>Total current assets</b>	<b>1,621,259</b>	<b>847,631</b>
<b>Non-current assets</b>		
Investments	9,745	9,820
Exploration and evaluation assets (notes 3 and 10)	12,282,651	11,447,375
Property, plant and equipment (note 4)	12,265	15,138
<b>Total non-current assets</b>	<b>12,304,661</b>	<b>11,472,333</b>
<b>Total assets</b>	<b>\$ 13,925,920</b>	<b>\$ 12,319,964</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities	\$ 207,601	\$ 41,852
Flow-through premium obligation	138,386	166,702
<b>Total current liabilities</b>	<b>345,987</b>	<b>208,554</b>
<b>Shareholders' equity</b>		
Share capital (note 5)	31,138,364	27,590,544
Units to be issued	21,525	3,552
Contributed surplus	4,648,047	3,832,401
Deficit	(22,228,003)	(19,315,087)
<b>Total shareholders' equity</b>	<b>13,579,933</b>	<b>12,111,410</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 13,925,920</b>	<b>\$ 12,319,964</b>

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,	
	2018	2017	2018	2017
<b>Expenses</b>				
General and administrative (notes 9 and 10)	\$ 497,036	\$ 496,870	\$ 2,129,929	\$ 1,336,896
Share-based payments (note 6 and 10)	234,713	278,584	815,646	1,016,495
Depreciation (note 4)	958	1,305	2,873	3,914
	<b>732,707</b>	<b>776,759</b>	<b>2,948,448</b>	<b>2,357,305</b>
<b>Loss before under noted items</b>	<b>(732,707)</b>	<b>(776,759)</b>	<b>(2,948,448)</b>	<b>(2,357,305)</b>
Interest income	5,941	534	7,291	4,142
Unrealized loss on FVTPL investments	-	1,137	(75)	(9)
Flow-through premium obligation discharged	7,391	9,645	28,316	316,274
<b>Loss and comprehensive loss</b>	<b>\$ (719,375)</b>	<b>\$ (765,443)</b>	<b>\$ (2,912,916)</b>	<b>\$ (2,036,898)</b>
Basic and diluted net loss per share (note 8)	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding - basic and diluted	<b>351,584,105</b>	<b>294,223,741</b>	<b>335,102,395</b>	<b>284,210,589</b>

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,	
	2018	2017
<b>Operating activities</b>		
Net loss	\$ (2,912,916)	\$ (2,036,898)
Adjustments for:		
Depreciation	2,873	3,914
Share-based payments	815,646	1,016,495
Unrealized loss on FVTPL investments	75	9
Flow-through premium obligation discharged	(28,316)	(316,274)
	<b>(2,122,638)</b>	<b>(1,332,754)</b>
Changes in non-cash working capital	<b>489,902</b>	<b>(1,772,225)</b>
<b>Net cash (used in) provided by operating activities</b>	<b>(1,632,736)</b>	<b>(3,104,979)</b>
<b>Investing activities</b>		
Acquisition and expenditures on exploration and evaluation assets	<b>(835,276)</b>	<b>(4,541,636)</b>
<b>Net cash used in investing activities</b>	<b>(835,276)</b>	<b>(4,541,636)</b>
<b>Financing activities</b>		
Cash proceeds for shares to be issued	13,937	-
Cash proceeds from issuance of units	3,124,909	5,066,242
Cash proceeds from exercise of warrants	644,255	975,716
Cost of issuance	(217,308)	(369,670)
Cash proceeds from exercise of stock options	-	169,000
<b>Net cash provided by financing activities</b>	<b>3,565,793</b>	<b>5,841,288</b>
<b>Net change in cash</b>	<b>1,097,781</b>	<b>(1,805,327)</b>
<b>Cash, beginning of period</b>	<b>464,905</b>	<b>1,957,093</b>
<b>Cash, end of period</b>	<b>\$ 1,562,686</b>	<b>\$ 151,766</b>

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
<b>Balance, December 31, 2016</b>	<b>247,608,949</b>	<b>\$ 20,296,454</b>	<b>\$ 15,400</b>	<b>\$ 2,415,432</b>	<b>\$ (16,150,719)</b>	<b>\$ 6,576,567</b>
Issuance of units (note 5(b))	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))	-	(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)
<b>Balance, September 30, 2017</b>	<b>296,555,525</b>	<b>\$ 26,072,301</b>	<b>\$ -</b>	<b>\$ 3,335,367</b>	<b>\$ (18,187,617)</b>	<b>\$ 11,220,051</b>
<b>Balance, December 31, 2017</b>	<b>321,261,676</b>	<b>\$ 27,590,544</b>	<b>\$ 3,552</b>	<b>\$ 3,832,401</b>	<b>\$ (19,315,087)</b>	<b>\$ 12,111,410</b>
Units to be issued from exercise of warrants	-	(7,588)	21,525	-	-	13,937
Issuance of units (note 5(b))	24,999,268	3,124,909	-	-	-	3,124,909
Issuance of units from exercise of warrants	5,772,642	647,807	(3,552)	-	-	644,255
Issuance cost - cash	-	(217,308)	-	-	-	(217,308)
Share-based payments (note 6)	-	-	-	815,646	-	815,646
Loss and comprehensive loss for the period	-	-	-	-	(2,912,916)	(2,912,916)
<b>Balance, September 30, 2018</b>	<b>352,033,586</b>	<b>\$ 31,138,364</b>	<b>\$ 21,525</b>	<b>\$ 4,648,047</b>	<b>\$ (22,228,003)</b>	<b>\$ 13,579,933</b>

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

Three and Nine Months Ended September 30, 2018

(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 & 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 28, 2018.

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2018, the Company had working capital deficiency of \$(1,275,272), negative cash flows and an accumulated deficit in the amount of \$22,228,003. 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 28, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2017, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

---

# Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

---

## 2. Summary of significant accounting policies (continued)

### New accounting standard adopted

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

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

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

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

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

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

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

#### Financial assets

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

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

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

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

---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

## 2. Summary of significant accounting policies (continued)

### New accounting standard adopted (continued)

#### Financial assets (continued)

##### ii. Amortized cost

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

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

#### **Financial liabilities**

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

##### i. Amortized cost

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

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

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

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

#### **Transaction costs**

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

#### **Subsequent measurement**

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

#### **Derecognition**

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



---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 2. Summary of significant accounting policies (continued)

#### New accounting standard adopted (continued)

##### Expected Credit Loss Impairment Model

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

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

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

##### Recent accounting pronouncement

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

### 3. Exploration and evaluation assets

#### The Lothar Project

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

#### The Lazlo Project

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

# Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

## 3. Exploration and evaluation assets (continued)

### The Vanguard Project

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

On 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 One project to proceed to the detailed construction licensing/permitting process having achieved environmental approval, for the Vanguard One.

<b>Cost</b>	<b>Lazlo</b>	<b>Vanguard</b>	<b>Total</b>
<b>Balance, December 31, 2016</b>	<b>\$ 1,088,876</b>	<b>\$ 5,815,175</b>	<b>\$ 6,904,051</b>
Additions:			
Property acquisition and surface access fees	14,797	288,365	303,162
Geological and project management	9,000	236,613	245,613
Engineering	-	2,463,515	2,463,515
Drilling	-	567,727	567,727
Seismic	-	905,720	905,720
Environmental	-	57,587	57,587
<b>Balance, December 31, 2017</b>	<b>\$ 1,112,673</b>	<b>\$ 10,334,702</b>	<b>\$ 11,447,375</b>
Additions:			
Property acquisition and surface access fees	6,698	430,564	437,262
Geological and project management	-	94,360	94,360
Engineering	-	21,373	21,373
Drilling	-	213,502	213,502
Environmental	-	68,779	68,779
<b>Balance, September 30, 2018</b>	<b>\$ 1,119,371</b>	<b>\$ 11,163,280</b>	<b>\$ 12,282,651</b>

Executive compensation capitalized as exploration and evaluation assets was \$nil for the nine months ended September 30, 2018 (year ended December 31, 2017 - \$67,500).

## Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended September 30, 2018  
(Expressed in Canadian Dollars)  
(Unaudited)

### 4. Property, plant and equipment

#### Cost

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2017	106,692	90,836	12,350	95,853	305,731
Balance, September 30, 2018	106,692	90,836	12,350	95,853	305,731

#### Accumulated depreciation

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2016	97,812	79,359	12,350	95,853	285,374
Depreciation for the year	1,776	3,443	-	-	5,219
Balance, December 31, 2017	99,588	82,802	12,350	95,853	290,593
Depreciation for the period	1,066	1,807	-	-	2,873
Balance, September 30, 2018	100,654	84,609	12,350	95,853	293,466

#### Carrying amount

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
At December 31, 2017	7,104	8,034	-	-	15,138
At September 30, 2018	6,038	6,227	-	-	12,265

---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(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, 2018, the Company has 352,033,586 common shares (December 31, 2017 – 321,261,676) issued and outstanding.

i) On January 20, 2017, the Company has completed a non-brokered private placement financing consisting of the sale of 27,272,728 units (the "Units") at \$0.11 per Unit for aggregate gross proceeds of \$3,000,000. Each Unit consisted of one (1) common share in the capital stock of the Company ("Common Share") and one-half (1/2) of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire an additional Common Share at a price of \$0.17 for a period of 24 months from the date of issuance. These warrants were assigned a value of \$1,274,199 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.77%;
- Expected life: 2 years;
- Expected volatility: 124% based on historical trends; and
- Weighted average share price: \$0.16.

The Company also paid a total of \$122,109 in finder's fees and issued 1,110,085 broker warrants ("Broker Warrants") to eligible finders in connection with the Offering. Each Broker Warrant will entitle the holder thereof to purchase one Unit at an exercise price of \$0.11 for a period of 24 months following the closing date of the Offering. Each whole common share purchase warrant entitles the holder to purchase one common share until January 20, 2019 at a exercise price of \$0.17 share. These warrants were assigned a value of \$117,619 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.77%;
- Expected life: 2 years;
- Expected volatility: 124% based on historical trends; and
- Weighted average share price: \$0.16.

---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 5. Share capital (continued)

#### b) Common shares (continued)

ii) On May 31, 2017, the Company completed tranche one of a brokered private placement by issuing 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 share 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 current balance of the 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 18 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.

iii) On June 29, 2017, the Company completed tranche two of a brokered private placement by issuing 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 18 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.

iv) On May 31, 2018, the Company completed a non-brokered private financing by issuing 24,999,268 common shares at a price of \$0.125 per share for aggregate gross proceeds of \$3,124,909. As part of the financing, certain officers (the "Insiders") purchased an aggregate of 4,356,000 common shares.

The Company paid commissions to certain finders consisting of cash payments of \$199,760, issued 1,598,080 agent's warrants, exercisable into Common Shares at \$0.125 per agent's warrant for a period of 18 months, and paid legal and other fees of \$17,678. These warrants were assigned a value of \$114,100 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: 1.87%;
- Expected life: 1.5 years;
- Expected volatility: 89% based on historical trends; and
- Weighted average share price: \$0.15.

# Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements  
 Three and Nine Months Ended September 30, 2018  
 (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 (\$)
<b>Balance, December 31, 2016</b>	<b>55,969,467</b>	<b>0.13</b>
Issued (note 5(b)(i))	16,151,131	0.16
Exercised	(9,144,738)	(0.11)
Expired	(903,571)	(0.10)
<b>Balance, September 30, 2017</b>	<b>62,072,289</b>	<b>0.14</b>
<b>Balance, December 31, 2017</b>	<b>51,507,555</b>	<b>0.14</b>
Issued	2,646,231	0.13
Exercised	(5,897,403)	(0.10)
Expired	(27,387,638)	(0.14)
<b>Balance, September 30, 2018</b>	<b>20,868,745</b>	<b>\$0.16</b>

Issue date	Expiry date	Exercise price	Number of warrants
October 26, 2016	October 26, 2018	\$0.15	2,520,372
October 26, 2016 <sup>(1)</sup>	October 26, 2018	\$0.09	131,654
January 20, 2017	January 20, 2019	\$0.17	13,712,134
January 20, 2017 <sup>(2)</sup>	January 20, 2019	\$0.11	958,545
May 31, 2017 <sup>(3)</sup>	November 30, 2018	\$0.18	861,884
June 29, 2017 <sup>(3)</sup>	December 29, 2018	\$0.18	3,000
November 29, 2017 <sup>(4)</sup>	May 29, 2019	\$0.065	532,000
December 15, 2017 <sup>(4)</sup>	June 15, 2019	\$0.065	551,076
May 31, 2018 <sup>(5)</sup>	June 30, 2019	\$0.125	1,598,080
Weighted average exercise price		\$0.16	20,868,745

---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 5. Share capital (continued)

#### c) Warrants (continued)

(1) 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.

(2) 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.

(3) 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.

(4) Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.065 for a period of 18 months.

(5) Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.125 for a period of 18 months.

### 6. Stock options

Stock option transactions for the periods presented are as follows:

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, December 31, 2016</b>	<b>16,510,607</b>	<b>0.08</b>
Granted <sup>(1)(2)(3)(4)(5)</sup>	11,050,000	0.15
Exercised	(1,950,000)	(0.09)
<b>Balance, September 30, 2017</b>	<b>25,610,607</b>	<b>0.11</b>
<b>Balance, December 31, 2017</b>	<b>26,410,607</b>	<b>0.11</b>
Granted <sup>(6)(7)(8)</sup>	6,000,000	0.11
Expired/forfeited	(900,000)	(0.14)
<b>Balance, September 30, 2018</b>	<b>31,510,607</b>	<b>0.10</b>

The weighted average grant date fair value of options granted during the nine months ended September 30, 2018 was \$0.10 (September 30, 2017 - \$0.13).

---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 6. Stock options (continued)

(1) On February 21, 2017, the Company granted 5,300,000 stock options (including 4,500,000 stock options to directors and officers of the Company) at an exercise price of \$0.13 and are exercisable for a period of 5 years. The options will vest after 1 year from the date of grant. The estimated fair value of these options at the grant date was \$796,917 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2018, \$nil and \$113,533, respectively (three and nine months ended September 30, 2017 - \$113,046 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.

(2) On February 21, 2017, the Company granted 750,000 stock options at an exercise price of \$0.17 and are exercisable for a period of 5 years. 450,000 options vested immediately and the the remaining 300,000 options will vest with the following terms: 75,000 options on May 21, 2017, 75,000 options on August 21, 2017, 75,000 options on November 21, 2017, 75,000 options on February 21, 2018. The estimated fair value of these options at the grant date was \$110,593 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2018, \$nil and \$1,576, respectively (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.

(3) 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, 2018, \$13,513 and \$76,405, respectively (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.



---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 6. Stock options (continued)

(4) 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 vested immediately. 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, 2018, \$nil (three and nine months ended September 30, 2017 - and \$77,500, 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.

(5) 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 vest 500,000 in one year and 1,000,000 on final closing of JV Partnership, but not sooner than one year. 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, 2018, \$nil and \$113,046, respectively (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.

(6) On February 2, 2018, the Company granted 4,000,000 options (including 3,500,000 stock options to directors and officers of the Company). The stock options have an exercise price of \$0.09 per share and are exercisable for a period of 5 years. The options vest immediately. The estimated fair value of these options at the grant date was \$306,500 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2018, \$nil and \$306,500, 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: 2.13%;
- Expected life: 5.0 years;
- Expected volatility: 127% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.09.

---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 6. Stock options (continued)

<sup>(7)</sup> On June 13, 2018, the Company granted 1,000,000 options to a director of the Company. The stock options have an exercise price of \$0.145 per share and are exercisable for a period of 5 years. The options vest upon the final close of a financing agreement (Corporate or project financing) between Gensource Potash Corporation and any financial institution or parties introduced to Gensource Potash. The estimated fair value of these options at the grant date was \$150,000 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2018, and \$145,000, 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: 2.14%;
- Expected life: 5.0 years;
- Expected volatility: 123% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.15.

<sup>(8)</sup> On July 19, 2018, the Company granted 1,000,000 options to a director of the Company. The stock options have an exercise price of \$0.145 per share and are exercisable for a period of 5 years. The options vest immediately. The estimated fair value of these options at the grant date was \$145,000 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2018, \$145,000 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: 2.02%;
- Expected life: 5.0 years;
- Expected volatility: 120% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.145.

# Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements  
 Three and Nine Months Ended September 30, 2018  
 (Expressed in Canadian Dollars)  
 (Unaudited)

## 6. Stock options (continued)

The following table reflects the stock options issued and outstanding as of September 30, 2018:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
January 23, 2019	0.10	0.32	2,791,748	2,791,748	-
March 1, 2019	0.07	0.42	1,500,000	1,500,000	-
March 1, 2019	0.13	0.42	500,000	500,000	-
March 1, 2019	0.09	0.42	500,000	500,000	-
October 24, 2019	0.06	1.07	1,200,000	1,200,000	-
April 16, 2020	0.07	1.55	1,868,859	1,868,859	-
April 19, 2021	0.07	2.55	500,000	500,000	-
June 6, 2021	0.06	2.68	3,200,000	3,200,000	-
June 6, 2021	0.08	2.68	500,000	-	500,000
September 7, 2021	0.08	2.94	1,000,000	1,000,000	-
September 18, 2021	0.06	2.97	1,000,000	1,000,000	-
December 6, 2021	0.10	3.19	500,000	500,000	-
February 20, 2022	0.13	3.39	4,800,000	4,800,000	-
February 20, 2022	0.17	3.39	150,000	150,000	-
April 23, 2022	0.18	3.56	3,000,000	1,500,000	1,500,000
May 9, 2022	0.18	3.61	500,000	500,000	-
May 9, 2022	0.14	3.61	1,500,000	1,500,000	-
November 13, 2022	0.09	4.12	1,000,000	1,000,000	-
February 1, 2023	0.09	4.34	3,500,000	3,500,000	-
June 13, 2023	0.145	4.70	1,000,000	-	1,000,000
July 18, 2023	0.07	4.80	1,000,000	1,000,000	-
	<b>0.10</b>	<b>2.80</b>	<b>31,510,607</b>	<b>28,510,607</b>	<b>3,000,000</b>

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

In 2016 the Company made a payment of \$114,587 as a result of reassessed GST returns filed for the period from July 1, 2011 to December 31, 2012. The amount of \$114,587 includes interest and penalties up to March 16, 2016, the date of the latest Canada Revenue Agency reassessment. *The Company is in the process of appealing the reassessment and will reverse the reassessed GST expense if the appeal is successful.*

## 8. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2018 was based on the loss attributable to common shareholders of \$719,375 and \$2,912,916, respectively (three and nine months ended September 30, 2017 – \$765,443 and \$2,036,898, respectively) and the weighted average number of common shares outstanding of 351,584,105 and 335,102,395, respectively (three and nine months ended September 30, 2017 – 294,223,741 and 284,210,589, respectively). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

---

# Gensource Potash Corporation

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

---

### 9. General and administrative

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Wages, benefits and incentive compensation	\$ 11,117	\$ 2,162	\$ 56,107	\$ 55,050
Sales and marketing	176,932	213,120	567,569	417,429
Professional fees (note 10)	169,172	120,163	1,026,147	442,632
Office and general	139,815	161,425	480,106	421,785
	\$ 497,036	\$ 496,870	\$ 2,129,929	\$ 1,336,896

---

### 10. Related party balances and transactions

a) During the three and nine months ended September 30, 2018, compensation, salaries and benefits of \$165,000 and \$1,057,000, respectively, (three and nine months ended September 30, 2017 - \$180,000 and \$540,000, 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, 2018, share-based payments of \$188,862 and \$554,736, respectively were rewarded to directors and officers of the Company (three and nine months ended September 30, 2017 - \$131,211 and \$450,128, respectively).

c) To the knowledge of the directors and executive officers of the Company as of September 30, 2018, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

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

### 11. Subsequent events

(i) Subsequent to September 30, 2018, 2,652,026 warrants of October 26, 2018 expired unexercised.

(ii) Subsequent to September 30, 2018, 2,000,000 options expired unexercised