



CONDENSED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

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

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

| | As at September 30, 2019 | As at December 31, 2018 |
|--|--------------------------------|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 80,470 | \$ 975,158 |
| Prepaid expenses and deposits | 18,207 | 32,954 |
| GST/HST and other receivables | 30,616 | 104,261 |
| Total current assets | 129,293 | 1,112,373 |
| Non-current assets | | |
| Investments | 1,733 | 2,771 |
| Exploration and evaluation assets (notes 3 and 11) | 14,676,631 | 13,949,904 |
| Property, plant and equipment (note 4) | 10,465 | 11,307 |
| Right-of-use assets (note 5) | 113,490 | 155,012 |
| Total non-current assets | 14,802,319 | 14,118,994 |
| Total assets | \$ 14,931,612 | \$ 15,231,367 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Amounts payable and other liabilities | \$ 365,981 | \$ 218,089 |
| Flow-through premium obligation | 263,030 | 267,660 |
| Short-term portion of lease liability (note 6) | 53,944 | 46,188 |
| Total current liabilities | 682,955 | 531,937 |
| Non-current liabilities | | |
| Lease liability (note 6) | 71,967 | 113,506 |
| Total liabilities | 754,922 | 645,443 |
| Shareholders' equity | | |
| Share capital (note 7) | 32,861,843 | 32,427,238 |
| Units to be issued | 55,400 | - |
| Contributed surplus | 4,734,796 | 4,622,371 |
| Deficit | (23,475,349) | (22,463,685) |
| Total shareholders' equity | 14,176,690 | 14,585,924 |
| Total shareholders' equity and liabilities | \$ 14,931,612 | \$ 15,231,367 |

Nature of operations and going concern (note 1)
Subsequent events (note 12)

Approved by the Board of Directors:

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

"Calvin Redlick" (signed) Director
Calvin Redlick, Director

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

Gensource Potash Corporation

Condensed Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|-----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Expenses | | | | |
| General and administrative (notes 10 and 11) | \$ 224,083 | \$ 497,036 | \$ 746,428 | \$ 2,129,929 |
| Share-based payments (note 8 and 11) | 13,512 | 234,713 | 205,096 | 815,646 |
| Depreciation (notes 4 and 5) | 14,598 | 958 | 43,742 | 2,873 |
| | 252,193 | 732,707 | 995,266 | 2,948,448 |
| Loss before under noted items | (252,193) | (732,707) | (995,266) | (2,948,448) |
| Interest income | - | 5,941 | 3,932 | 7,291 |
| Unrealized loss on FVTPL investments | (1,516) | - | (1,038) | (75) |
| Flow-through premium obligation discharged | - | 7,391 | 4,630 | 28,316 |
| Accretion expense (note 6) | (7,471) | - | (23,922) | - |
| Loss and comprehensive loss | \$ (261,180) | \$ (719,375) | \$ (1,011,664) | \$ (2,912,916) |
| Basic and diluted net loss per share (note 9) | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.01) |
| Weighted average number of common shares outstanding - basic and diluted | 369,566,166 | 351,584,105 | 368,727,296 | 335,102,395 |

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

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

| | Nine Months Ended | |
|---|--------------------------|---------------------|
| | September 30, | |
| | 2019 | 2018 |
| Operating activities | | |
| Net loss | \$ (1,011,664) | \$ (2,912,916) |
| Adjustments for: | | |
| Depreciation | 43,742 | 2,873 |
| Share-based payments | 205,096 | 815,646 |
| Accretion expense | 23,922 | - |
| Unrealized loss on FVTPL investments | 1,038 | 75 |
| Flow-through premium obligation discharged | (4,630) | (28,316) |
| | (742,496) | (2,122,638) |
| Changes in non-cash working capital | 236,284 | 489,902 |
| Net cash (used in) provided by operating activities | (506,212) | (1,632,736) |
| Investing activities | | |
| Purchase of property, plant and equipment | (1,378) | - |
| Acquisition and expenditures on exploration and evaluation assets | (726,727) | (835,276) |
| Repayment of lease on right-to-use asset | (57,705) | - |
| Net cash used in investing activities | (785,810) | (835,276) |
| Financing activities | | |
| Cash proceeds for shares to be issued | 55,400 | 13,937 |
| Cash proceeds from issuance of shares | - | 3,124,909 |
| Cash proceeds from exercise of warrants | 69,360 | 644,255 |
| Cost of issuance | (1,601) | (217,308) |
| Cash proceeds from exercise of stock options | 274,175 | - |
| Net cash provided by financing activities | 397,334 | 3,565,793 |
| Net change in cash | (894,688) | 1,097,781 |
| Cash, beginning of period | 975,158 | 464,905 |
| Cash, end of period | \$ 80,470 | \$ 1,562,686 |

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

Gensource Potash Corporation

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

| | Issued shares | Share capital | Units to be issued | Contributed surplus | Deficit | Total |
|--|--------------------|----------------------|-----------------------|------------------------|-----------------------|----------------------|
| Balance, December 31, 2017 | 321,261,676 | \$ 27,590,544 | \$ 3,552 | \$ 3,832,401 | \$(19,315,087) | \$ 12,111,410 |
| Units to be issued from exercise of warrants | | (7,588) | 21,525 | - | - | 13,937 |
| Issuance of units (note 7(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 8) | - | - | - | 815,646 | - | 815,646 |
| Loss and comprehensive loss for the period | - | - | - | - | (2,912,916) | (2,912,916) |
| Balance, September 30, 2018 | 352,033,586 | \$ 31,138,364 | \$ 21,525 | \$ 4,648,047 | \$(22,228,003) | \$ 13,579,933 |
| Balance, December 31, 2018 | 365,757,342 | \$ 32,427,238 | \$ - | \$ 4,622,371 | \$(22,463,685) | \$ 14,585,924 |
| Units to be issued from exercise of options | - | - | 55,400 | - | - | 55,400 |
| Issuance of units from exercise of warrants | 1,067,076 | 69,360 | - | - | - | 69,360 |
| Issuance cost - cash | - | (1,601) | - | - | - | (1,601) |
| Share-based payments (note 8) | - | - | - | 205,096 | - | 205,096 |
| Issuance of units from exercise of options | 2,741,748 | 366,846 | - | (92,671) | - | 274,175 |
| Loss and comprehensive loss for the period | - | - | - | - | (1,011,664) | (1,011,664) |
| Balance, September 30, 2019 | 369,566,166 | \$ 32,861,843 | \$ 55,400 | \$ 4,734,796 | \$(23,475,349) | \$ 14,176,690 |

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

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 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, 18 King Street, Suite 902, Toronto, Ontario, M5C 1C4.

These unaudited condensed interim financial statements were authorized and approved by the Board of Directors on November 26, 2019.

The unaudited condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2019, the Company had working capital deficiency of \$553,662, negative cash flows and an accumulated deficit in the amount of \$23,475,349. 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 financial statements do not reflect any adjustments or other changes that may be required should the Company be unable to continue as a going concern. Such adjustments and changes could be material.

2. Summary of significant accounting policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim financial statements are based on IFRS's issued and outstanding as of November 26, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent audited annual financial statements as at and for the year ended December 31, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2019 could result in restatement of these unaudited condensed interim financial statements.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

2. Summary of significant accounting policies (continued)

New accounting standard adopted

IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

Recent accounting pronouncement

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted. The Company is currently assessing the impact on the unaudited condensed interim financial statements.

3. Exploration and evaluation assets

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.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

3. Exploration and evaluation assets (continued)

The Vanguard Project (continued)

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

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

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

| Cost | Lazlo | Vanguard | Total |
|--|---------------------|----------------------|----------------------|
| Balance, December 31, 2017 | \$ 1,112,673 | \$ 10,334,702 | \$ 11,447,375 |
| Additions: | | | |
| Property acquisition and surface access fees | 7,662 | 467,629 | 475,291 |
| Geological and project management | - | 206,464 | 206,464 |
| Engineering | - | 28,275 | 28,275 |
| Drilling | - | 1,707,118 | 1,707,118 |
| Seismic | - | - | - |
| Environmental | - | 85,381 | 85,381 |
| Balance, December 31, 2018 | \$ 1,120,335 | \$ 12,829,569 | \$ 13,949,904 |
| Additions: | | | |
| Property acquisition and surface access fees | 7,057 | 332,013 | 339,070 |
| Geological and project management | - | 366,673 | 366,673 |
| Drilling | - | 1,389 | 1,389 |
| Environmental | - | 19,595 | 19,595 |
| Balance, September 30, 2019 | \$ 1,127,392 | \$ 13,549,239 | \$ 14,676,631 |

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
 Three and Nine Months Ended September 30, 2019 and 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, 2018 | 106,692 | 90,836 | 12,350 | 95,853 | 305,731 |
| Additions | - | 1,378 | - | - | 1,378 |
| Balance, September 30, 2019 | 106,692 | 92,214 | 12,350 | 95,853 | 307,109 |

Accumulated depreciation

| | Furniture and equipment \$ | Computer hardware \$ | Computer software \$ | Leasehold improvements \$ | Total \$ |
|------------------------------------|----------------------------------|----------------------------|----------------------------|---------------------------------|----------------|
| Balance, December 31, 2017 | 99,588 | 82,802 | 12,350 | 95,853 | 290,593 |
| Depreciation for the year | 1,421 | 2,410 | - | - | 3,831 |
| Balance, December 31, 2018 | 101,009 | 85,212 | 12,350 | 95,853 | 294,424 |
| Depreciation for the period | 852 | 1,368 | - | - | 2,220 |
| Balance, September 30, 2019 | 101,861 | 86,580 | 12,350 | 95,853 | 296,644 |

Carrying amount

| | Furniture and equipment \$ | Computer hardware \$ | Computer software \$ | Leasehold improvements \$ | Total \$ |
|-----------------------|----------------------------------|----------------------------|----------------------------|---------------------------------|-------------|
| At December 31, 2018 | 5,683 | 5,624 | - | - | 11,307 |
| At September 30, 2019 | 4,831 | 5,634 | - | - | 10,465 |

5. Rights-of-use assets

| | Property | Equipment | Total |
|------------------------------------|-------------------|-----------------|-------------------|
| Balance, January 1, 2018 | \$ 50,219 | \$ 9,684 | \$ 59,903 |
| Additions | 160,552 | - | 160,552 |
| Depreciation | (63,599) | (1,844) | (65,443) |
| Balance, December 31, 2018 | \$ 147,172 | \$ 7,840 | \$ 155,012 |
| Depreciation | (40,137) | (1,385) | (41,522) |
| Balance, September 30, 2019 | \$ 107,035 | \$ 6,455 | \$ 113,490 |

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements
 Three and Nine Months Ended September 30, 2019 and 2018
 (Expressed in Canadian Dollars)
 (Unaudited)

6. Lease liabilities

| | Property | Equipment | Total |
|------------------------------------|-------------------|-----------------|-------------------|
| Balance, January 1, 2018 | \$ 50,219 | \$ 9,684 | \$ 59,903 |
| Additions | 160,552 | - | 160,552 |
| Interest expense | 11,960 | 4,219 | 16,179 |
| Lease payments | (72,151) | (4,789) | (76,940) |
| Balance, December 31, 2018 | \$ 150,580 | \$ 9,114 | \$ 159,694 |
| Interest expense | 20,961 | 2,961 | 23,922 |
| Lease payments | (54,113) | (3,592) | (57,705) |
| Balance, September 30, 2019 | \$ 117,428 | \$ 8,483 | \$ 125,911 |

| | As at September 30, 2019 | As at December 31, 2018 |
|--------------------------|--------------------------------|-------------------------------|
| Short-term lease expense | \$ 53,944 | \$ 46,188 |

| | Under 1 year | Between 1 - 2 years | Between 3 - 5 years | Over 5 years | Total |
|--------------|------------------|------------------------|------------------------|-----------------|-------------------|
| Property | \$ 52,714 | \$ 64,713 | \$ - | \$ - | \$ 117,427 |
| Equipment | 1,230 | 5,062 | 2,192 | - | 8,484 |
| Total | \$ 53,944 | \$ 69,775 | \$ 2,192 | \$ - | \$ 125,911 |

7. 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, 2019, the Company had 369,566,166 common shares (December 31, 2018 – 365,757,342) issued and outstanding.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

7. 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, 2017 | 51,507,555 | 0.14 |
| Issued | 2,646,231 | 0.13 |
| Exercised | (5,897,403) | (0.10) |
| Expired | (27,387,638) | (0.14) |
| Balance, September 30, 2018 | 20,868,745 | 0.16 |
| Balance, December 31, 2018 | 17,976,167 | 0.15 |
| Exercised | (1,067,076) | (0.065) |
| Expired | (14,686,679) | (0.17) |
| Balance, September 30, 2019 | 2,222,412 | \$0.12 |

| Issue date | Expiry date | Exercise price | Number of warrants |
|---------------------------------|-------------------|----------------|--------------------|
| May 31, 2018 ⁽¹⁾ | November 30, 2019 | \$0.125 | 1,598,080 |
| December 4, 2018 ⁽²⁾ | June 4, 2020 | \$0.12 | 624,332 |
| Weighted average exercise price | | \$0.12 | 2,222,412 |

⁽¹⁾ 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.

⁽²⁾ Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.12 for a period of 18 months.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

8. Stock options

Stock option transactions for the periods presented are as follows:

| | Number of stock options | Weighted average exercise price (\$) |
|------------------------------------|----------------------------|---|
| Balance, December 31, 2017 | 26,410,607 | 0.11 |
| Granted ⁽¹⁾⁽²⁾ | 6,000,000 | 0.11 |
| Expired/forfeited | (900,000) | (0.14) |
| Balance, September 30, 2018 | 31,510,607 | 0.10 |
| Balance, December 31, 2018 | 29,510,607 | 0.10 |
| Granted ⁽³⁾ | 1,500,000 | 0.105 |
| Expired/forfeited | (2,550,000) | (0.09) |
| Exercised | (2,741,748) | (0.10) |
| Balance, September 30, 2019 | 25,718,859 | 0.11 |

The weighted average grant date fair value of options granted during the nine months ended September 30, 2019 was \$0.11 (September 30, 2018 - \$0.10).

⁽¹⁾ 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 vested 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, 2019 \$nil (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.

⁽²⁾ 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 will 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, 2019, \$nil (three and nine months ended September 30, 2018, \$47,586 and \$55,862, 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.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

8. Stock options (continued)

⁽³⁾ 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 vested 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, 2019, \$nil (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.

⁽⁴⁾ On January 31, 2019, the Company granted 1,500,000 options to directors of the Company. The stock options have an exercise price of \$0.105 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 \$165,000 using the Black-Scholes valuation model. During the three and nine months ended September 30, 2019, \$nil and \$165,000, respectively (three and nine months ended September 30, 2018, \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.78%;
- Expected life: 5.0 years;
- Expected volatility: 112% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.11.

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

8. Stock options (continued)

The following table reflects the stock options issued and outstanding as of September 30, 2019:

| Expiry date | Exercise price (\$) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) | Number of options unvested |
|--------------------|---------------------|---|-------------------------------|--|----------------------------|
| October 24, 2019 | 0.06 | 0.07 | 1,200,000 | 1,200,000 | - |
| April 16, 2020 | 0.07 | 0.55 | 1,868,859 | 1,868,859 | - |
| April 19, 2021 | 0.07 | 1.55 | 500,000 | 500,000 | - |
| June 6, 2021 | 0.06 | 1.68 | 3,200,000 | 3,200,000 | - |
| June 6, 2021 | 0.08 | 1.68 | 500,000 | - | 500,000 |
| September 18, 2021 | 0.06 | 1.97 | 1,000,000 | 1,000,000 | - |
| December 6, 2021 | 0.10 | 2.19 | 500,000 | 500,000 | - |
| February 20, 2022 | 0.13 | 2.39 | 4,300,000 | 4,300,000 | - |
| February 20, 2022 | 0.17 | 2.39 | 150,000 | 150,000 | - |
| April 23, 2022 | 0.18 | 2.82 | 3,000,000 | 1,500,000 | 1,500,000 |
| May 9, 2022 | 0.18 | 2.61 | 500,000 | 500,000 | - |
| May 9, 2022 | 0.14 | 2.61 | 1,500,000 | 500,000 | 1,000,000 |
| November 13, 2022 | 0.08 | 3.12 | 1,000,000 | 1,000,000 | - |
| February 1, 2023 | 0.09 | 3.34 | 3,000,000 | 3,000,000 | - |
| June 13, 2023 | 0.145 | 3.70 | 1,000,000 | - | 1,000,000 |
| July 18, 2023 | 0.145 | 3.80 | 1,000,000 | 1,000,000 | - |
| January 31, 2024 | 0.105 | 4.34 | 1,500,000 | 1,500,000 | - |
| | 0.11 | 2.41 | 25,718,859 | 21,718,859 | 4,000,000 |

9. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2019 was based on the loss attributable to common shareholders of \$261,180 and \$1,011,664, respectively, (three and nine months ended September 30, 2018 – \$719,375 and \$2,912,916, respectively) and the weighted average number of common shares outstanding of 369,566,166 and 368,727,296, respectively, (three and nine months ended September 30, 2018 – 351,584,105 and 335,102,395, respectively). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

10. General and administrative

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------------|------------------------------------|---------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Wages, benefits and incentive compensation | \$ 6,002 | \$ 11,117 | \$ 24,484 | \$ 56,107 |
| Sales and marketing | 24,359 | 176,932 | 110,864 | 567,569 |
| Professional fees (note 11) | 95,616 | 169,172 | 317,908 | 1,026,147 |
| Office and general | 98,106 | 139,815 | 293,172 | 480,106 |
| | \$ 224,083 | \$ 497,036 | \$ 746,428 | \$ 2,129,929 |

Gensource Potash Corporation

Notes to Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(Unaudited)

11. Related party balances and transactions

a) During the three and nine months ended September 30, 2019, compensation, salaries and benefits of \$165,000 and \$495,000, respectively, (three and nine months ended September 30, 2018 - \$165,000 and \$1,057,000, 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, 2019, share-based payments of \$nil and \$165,000, respectively were rewarded to directors and officers of the Company (three and nine months ended September 30, 2018 - \$188,862 and \$554,736, respectively).

c) Included in amounts payable and other liabilities was \$108,105 (December 31, 2018 - \$nil) owed to related companies and officers for fees and expenses.

d) To the knowledge of the directors and executive officers of the Company as of September 30, 2019, 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.

12. Subsequent events

i) On October 11, 2019, the Company closed a non-brokered private placement of 11,230,769 common shares of the Company ("Common Shares") at a price of \$0.13 per Common Share for gross proceeds of \$1,460,000 (the "Private Placement"). In relation to the private placement, the Company paid commissions to a certain licensed finder of a cash payment of \$73,000.

ii) Subsequent to the three months ended September 30, 2019, the Company announced the closing of a royalty sale ("Royalty") on the Tugaske Project to be developed within Gensource' Vanguard Area (comprising mineral leases KL244 and KL245). The Company sold a royalty of an aggregate of 2% of gross revenues on the Tugaske Project for \$US6.0M. Two royalties were sold totaling the 2% and \$US6M and, importantly, the two purchasers were none other than the Project's off-taker and strategic third party investor identified in Gensource's news release dated 22 May 2019.

iii) On October 18, 2019, the Company announced that the Company has formally mandated KfW IPEX-Bank GmbH ("KfW IPEX-Bank") to act as Lead Arranger for the senior debt component ("Debt Facility" or "Facility") for the Tugaske Project finance package. The Agreement indicates that: (a) KfW IPEX-Bank will be the Lead Arranger to arrange the Debt Facility for the Tugaske Project; (b) A total Debt Facility of approximately USD180 million is agreed; (c) A significant portion of the Facility is to have Export Credit Agency (ECA) coverage to reduce lender risks and the Project's interest costs; ECA due diligence will also be overseen and managed by KfW IPEX-Bank; (d) KfW IPEX-Bank will complete its due diligence work, including the in-depth review of technical, environmental, social, market and financial aspects of the project; (e) KfW IPEX-Bank will manage syndication of the Debt Facility and plans to support the Project with a significant take and hold commitment.

vi) On October 23, 2019, 1,820,000 options were exercised. 1,200,000 options would have expired on October 24, 2019, and 620,000 options would have expired on April 16, 2020.

v) On October 24, 2019, the Company has granted an aggregate of 10,250,000 stock options, of which 8,000,000 were granted to certain directors and senior officers of the Company at an exercise price of \$0.14 and are exercisable for a period of 5 years. The options vested immediately.

vi) On November 18, 2019, 216,000 broker warrants were exercised at a price of \$0.125 for cash proceeds of \$27,000.