CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gensource Potash Corporation:

We have audited the accompanying consolidated financial statements of Gensource Potash Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, cash flows, and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gensource Potash Corporation as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Gensource Potash Corporation's ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 10, 2017

Gensource Potash Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash	**$ 1,957,093**	$ 1,781,257
Prepaid expenses and deposits	**88,174**	78,678
HST and other receivables	**173,821**	18,280
Total current assets	**2,219,088**	1,878,215
Non-current assets		
Investments	**9,199**	4,108
Exploration and evaluation assets (notes 4 and 12)	**6,904,051**	2,716,272
Property, plant and equipment (note 5)	**20,357**	20,027
Total non-current assets	**6,933,607**	2,740,407
Total assets	**$ 9,152,695**	$ 4,618,622
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	**$ 2,269,499**	$ 61,610
Flow-through premium obligation (note 6)	**306,629**	129,500
Total current liabilities	**2,576,128**	191,110
Shareholders' equity		
Share capital (note 6)	**20,296,454**	15,503,008
Units to be issued	**15,400**	-
Contributed surplus	**2,415,432**	2,123,740
Deficit	**(16,150,719)**	(13,199,236)
Total shareholders' equity	**6,576,567**	4,427,512
Total shareholders' equity and liabilities	**$ 9,152,695**	$ 4,618,622

Nature of operations and going concern (note 1)
Commitments and Contingencies (note 15)
Subsequent events (note 16)

Approved by the Board of Directors:

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

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

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

Gensource Potash Corporation
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Expenses		
General and administrative (notes 11 and 12)	**$ 1,465,596**	$ 822,971
Share-based payments (note 7)	**303,292**	246,069
Depreciation (note 5)	**5,798**	6,148
Write-off of exploration and evaluation assets	**1,710,753**	-
Reassessed Goods and Service Tax (note 8)	**114,387**	-
Loss on disposition of property, plant and equipment	**1,061**	-
	3,600,887	1,075,188
Loss before undernoted items	**(3,600,887)**	(1,075,188)
Interest income	**5,878**	1,073
Unrealized gain on FVTPL investments	**5,091**	1,959
Flow-through premium obligation discharged (note 6)	**638,435**	-
Loss and comprehensive loss	**$ (2,951,483)**	$ (1,072,156)
Basic and diluted net loss per share (note 9)	**$ (0.01)**	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	**204,429,337**	138,589,668

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

Gensource Potash Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2016	2015
Operating activities		
Net loss	**$ (2,951,483)**	$ (1,072,156)
Adjustments for:		
Depreciation	**5,798**	6,148
Share-based payments	**303,292**	246,069
Write-off of exploration and evaluation assets	**1,710,753**	-
Unrealized gain on FVTPL investments	**(5,091)**	(1,959)
Flow-through premium obligation discharged	**(638,435)**	-
Loss on disposal of property, plant and equipment	**1,061**	-
	(1,574,105)	(821,898)
Changes in non-cash working capital	**2,042,852**	(50,848)
Net cash provided by (used in) operating activities	**468,747**	(872,746)
Investing activities		
Proceeds from the disposal of property, plant and equipment	**2,047**	-
Purchase of property, plant and equipment	**(9,236)**	-
Acquisition and expenditures on exploration and evaluation assets	**(5,898,532)**	(288,218)
Net cash used in investing activities	**(5,905,721)**	(288,218)
Financing activities		
Cash proceeds for shares to be issued	**15,400**	-
Cash proceeds from issuance of units	**5,233,651**	2,254,568
Cash proceeds from exercise of warrants	**801,123**	148,850
Cost of issuance	**(450,364)**	(37,038)
Cash proceeds from exercise of stock options	**13,000**	-
Net cash provided by financing activities	**5,612,810**	2,366,380
Net change in cash	**175,836**	1,205,416
Cash, beginning of year	**1,781,257**	575,841
Cash, end of year	**$ 1,957,093**	$ 1,781,257

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

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

	Issued shares	Share capital	Units to be issued	Contributed surplus	Deficit	Total
Balance, December 31, 2014	**127,527,497**	**$12,630,628**	**$ 635,500**	**$ 1,877,671**	**$(12,127,080)**	**$ 3,016,719**
Prior year units issued in the year (note 6(b))	10,578,572	740,500	(635,500)	-	-	105,000
Issuance of units (note 6(b))	31,835,136	2,020,068	-	-	-	2,020,068
Issuance of units from exercise of warrants	-	148,850	-	-	-	148,850
Issuance cost - cash	-	(37,038)	-	-	-	(37,038)
Share-based payments (note 7)	-	-	-	246,069	-	246,069
Loss and comprehensive loss for the year	-	-	-	-	(1,072,156)	(1,072,156)
Balance, December 31, 2015	**169,941,205**	**$15,503,008**	**$ -**	**$ 2,123,740**	**$(13,199,236)**	**$ 4,427,512**
Balance, December 31, 2015	**169,941,205**	**$15,503,008**	**$ -**	**$ 2,123,740**	**$(13,199,236)**	**$ 4,427,512**
Issuance of units (note 6(b))	61,480,277	5,233,651	15,400	-	-	5,249,051
Issuance of units from exercise of warrants	15,987,467	801,123	-	-	-	801,123
Issuance cost - cash	-	(450,364)	-	-	-	(450,364)
Share-based payments (note 7)	-	-	-	303,292	-	303,292
Flow-through premium (note 6(b))	-	(815,564)	-	-	-	(815,564)
Issuance of units from exercise of options	200,000	24,600	-	(11,600)	-	13,000
Loss and comprehensive loss for the year	-	-	-	-	(2,951,483)	(2,951,483)
Balance, December 31, 2016	**247,608,949**	**$20,296,454**	**$ 15,400**	**$ 2,415,432**	**$(16,150,719)**	**$ 6,576,567**

The notes to the 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.

On June 28, 2013, Gensource Potash Corporation announced that it has changed its name from Gensource Capital Corporation to Gensource Potash Corporation effective July 1, 2013. These consolidated financial statements were authorized and approved by the Board of Directors on April 10, 2017.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2016, the Company had a loss and comprehensive loss of $2,951,483, including the write-off of exploration and evaluation assets of $1,710,753 as a result of the Company's decision to terminate the Lothar Project (see note 4). As at December 31, 2016, the Company had working capital deficiency of $357,040 and an accumulated deficit in the amount of $16,150,719. 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 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 consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and their interpretations as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of consolidation

The consolidated financial statements include the accounts of the Company together with its subsidiary. All intercompany transactions and balances have been eliminated. The financial statements of Gensource Potash Corporation and its subsidiary Gensource Technologies Corporation are consolidated from the date that control commences until the date that control ceases. A change in the ownership of its subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Summary of significant accounting policies (continued)

Financial instruments

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit and loss ("FVTPL"), available-for-sale, held to maturity or loans and receivables. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset. Financial liabilities are classified, at initial recognition, as either FVTPL or other liabilities.

Purchases or sales of financial assets that require delivery of assets in a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash, other receivables and investments. The Company's financial liabilities include amounts payable and other liabilities.

Subsequent measurement
Financial assets are subsequently measured as FVTPL, available-for-sale, held to maturity or loans and receivables. Financial liabilities are classified as either FVTPL or other liabilities. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to FVTPL securities are expensed as incurred. Transaction costs related to financial assets available for sale, held to maturity, and loans and receivables, and other liabilities are included in their carrying amounts, and are then amortized using the effective interest method over the expected life of the instrument. Financial assets held to maturity, loans and receivables and financial liabilities other than FVTPL assets and liabilities are measured at amortized cost. Available for sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of, or becomes impaired.

The Company has classified cash and investments as FVTPL, other receivables as loans and receivables and accounts payable and other liabilities as other liabilities.

Valuation of investments
FVTPL investments are recorded at fair value with the difference between fair value and cost being reported in earnings (loss) as unrealized gain (loss) on FVTPL investments. In the case of securities listed on stock exchanges, the fair value means the latest bid price.

Fair value of investments in shares of private companies, for which market quotations or other benchmarks are not available, is determined by reviewing the most recent arms' length equity financing of the subject company and determining whether or not such financing is relevant for valuation purposes. In the absence of such financing, fair value is determined by applying the relative change in the quoted value of a peer group of listed companies having similar characteristics to the private company. A discount may be applied to the resulting fair value in order to reflect the liquidity risk associated with private company investments. Private company investments are not valued above original cost unless compelling evidence exists to support such an increase.

Investments for which reliable quotations are not readily available are valued at their fair value using a valuation model and market inputs.

2. Summary of significant accounting policies (continued)

Fair value hierarchy and liquidity risk disclosure
The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). Please refer to note 13 Financial risk management.

Comprehensive income
Other comprehensive income is a component of shareholders' equity. Comprehensive earnings are composed of the Company's net earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

The Company does not have any other comprehensive income components and, as such, comprehensive income (loss) is equal to net earnings (loss).

Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

Exploration and evaluation assets
The Company defers the costs of exploration on existing projects and carries them as assets until production commences. Deferred costs include all lease rental payments on project property and executive compensation for fees that relate to exploration activities. Pre-exploration costs are generally expensed unless it is probable that they will generate future economic benefits. The amounts at which exploration and evaluation assets are recorded do not necessarily reflect present or future values. If a project is economically feasible, the related exploration property and deferred exploration costs are amortized over the estimated economic life of the project. If a project has ceased because continuation is not economically feasible, the exploration properties and the exploration and evaluation assets are written off.

The Company reviews its evaluation and exploration assets on an annual basis to determine if events or changes in circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on the exploration and evaluation assets is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value. When a project is considered to no longer have commercially viable prospects for the Company, exploration properties and exploration and evaluation assets in respect of that property are assessed as impaired and written off to the consolidated statement of operations and comprehensive loss. The Company also assesses exploration properties and exploration and evaluation assets for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

2. Summary of significant accounting policies (continued)

Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of extracting a mineral resource has been determined, the property is considered to be a mine under development. Exploration properties and exploration and evaluation assets are tested for impairment before being transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Consideration, in the form of cash and/or shares received under exploration property option agreements, is applied against the acquisition cost of the exploration property and related exploration and evaluation assets. Consideration, in excess of the acquisition cost and related exploration and evaluation on the exploration property, is reported as income for the period and is included as income in the consolidated statements of operations and comprehensive earnings (loss).

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded over the estimated useful life of assets on the diminishing balance or straight-line basis using the following rates:

Furniture and equipment 20%, diminishing balance
Computer hardware 30%, diminishing balance
Computer software 100%, diminishing balance
Leasehold improvements 5 years, straight-line

Share-based payments

The Company follows guidance provided by IFRS 2, which requires that a fair value based method of accounting be applied to all share-based payments. The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. For equity-settled share-based payment transactions for non-employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions under which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

2. Summary of significant accounting policies (continued)

Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, such asset is not recognized.

Share capital

In situations where the Company issues units, the value of the warrants is not separated and is included in share capital in the consolidated statements of financial position. Costs associated with the issuance of share capital are netted against share capital.

Flow-through shares

The Company may finance a portion of its exploration activities through the issuance of flow-through shares. Upon the sale of flow-through shares, the Company recognizes a liability for the excess purchase price paid (if any) by the investors over the fair value of common shares without the flow-through feature (the "premium") and records the fair value of the shares in equity. When the tax deduction of the expenditures is renounced to the investor, the liability is reversed and a deferred tax liability is recorded for the amount of the benefits renounced to the investors. To the extent the Company has unrecognized tax benefits from loss carry forwards or other tax pools in excess of book value, the Company will offset the future income tax liability resulting in the premium being recognized in the statements of operations and comprehensive loss.

Revenue recognition

Interest income is recorded on the accrual basis.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

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. Critical judgments and accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of judgment and estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of such expenditure is unlikely, the amount capitalized is written off in the consolidated statements of operations and comprehensive loss in the period the new information becomes available.

Income taxes and loss carry-forwards
Significant judgment is required in determining the provision for income taxes. Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4. 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.

(Expressed in Canadian Dollars)

4. 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 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 and a definitive off take agreement has been signed with YCR.

Cost	**Lothar**	**Lazlo**	**Vanguard**	**Total**
Balance, December 31, 2014	**$ 1,693,676**	**$ 734,378**	**$ -**	**$ 2,428,054**
Additions:				
Property acquisition and surface access fees	10,038	26,947	-	36,985
Geological and project management	-	251,233	-	251,233
Balance, December 31, 2015	**1,703,714**	**1,012,558**	**-**	**2,716,272**
Additions:				
Property acquisition and surface access fees	7,039	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**

Executive compensation capitalized as exploration and evaluation assets was $120,000 for the year ended December 31, 2016 (year ended December 31, 2015 - $90,000).

(Expressed in Canadian Dollars)

5. Property, plant and equipment

Cost

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
Balance, December 31, 2015	**111,708**	**82,600**	**12,350**	**95,853**	**302,511**
Additions	1,000	8,236	-	-	9,236
Disposals	(6,016)	-	-	-	(6,016)
Balance, December 31, 2016	**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, 2015	**98,076**	**76,205**	**12,350**	**95,853**	**282,484**
Depreciation for the year	2,644	3,154	-	-	5,798
Disposals	(2,908)	-	-	-	(2,908)
Balance, December 31, 2016	**97,812**	**79,359**	**12,350**	**95,853**	**285,374**

Carrying amount

	Furniture and equipment $	Computer hardware $	Computer software $	Leasehold improvements $	Total $
At December 31, 2015	**13,632**	**6,395**	**-**	**-**	**20,027**
At December 31, 2016	**8,880**	**11,477**	**-**	**-**	**20,357**

6. 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 December 31, 2016, the Company has 247,608,949 common shares (December 31, 2015 – 169,941,205) issued and outstanding.

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

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

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

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

iii) On November 6, 2015, the Company completed a non-brokered private placement of 7,074,571 units at a price of $0.07 per unit for aggregate gross proceeds of $495,220. 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 (24) months. These warrants were assigned a value of $148,566 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: 2 years;
- Expected volatility: 142% based on historical trends; and
- Weighted average share price: $0.07.

6. Share capital (continued)

b) Common shares (continued)

iv) On December 30, 2015, the Company completed a non-brokered private placement of 7,572,850 units at a price of $0.07 per unit and 12,500,000 flow-through units at a price of $0.08 per flow-through unit for aggregate gross proceeds of $1,530,100. Each unit consists of one common share and one-half common share purchase warrant. Each flow-through unit consists of one flow-through common share and one-half of 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 (24) months. These warrants were assigned a value of $341,238 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: 0.50%
- Expected life: 2 years;
- Expected volatility: 139.84% based on historical trends; and
- Weighted average share price: $0.06.

As a result of the issuance of flow-through units, a flow-through premium of $125,000 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 $19,607 in finder's fees and issued 280,100 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 December 31, 2017 at the exercise price of $0.12 per share.

These warrants were assigned a value of $13,445 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: 0.48%
- Expected life: 2 years;
- Expected volatility: 140% based on historical trends; and
- Weighted average share price: $0.07.

6. Share capital (continued)

b) Common shares (continued)

v) 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 common share at an exercise price of $0.12 for a period of 24 months. 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.

6. Share capital (continued)

b) Common shares (continued)

vi) 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.

(Expressed in Canadian Dollars)

6. Share capital (continued)

b) Common shares (continued)

vii) October 26, 2016, the Company completed a brokered private placement of 2,490,559 units ("Units") at a price of $0.09 per Unit for aggregate gross proceeds of $224,150. 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 twenty-four months. These warrants were assigned a value of $102,113 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: 127% based on historical trends; and
- Weighted average share price: $0.08.

The Company paid a total of $14,532 in finder's fees and issued 161,467 broker warrants associated with the closing, 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 $0.15, for a period of twenty-four months. These warrants were assigned a value of $7,750 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: 127% based on historical trends; and
- Weighted average share price: $0.09.

c) Warrants

The Company has the following warrants outstanding as a result of equity issues:

	Number of warrants	Weighted average exercise price ($)
Balance, December 31, 2014	**28,527,958**	**0.05**
Issued (note 6(i)(ii)(iii)(iv))	19,143,096	0.05
Exercised	(2,977,000)	0.05
Expired	(1,250,958)	0.05
Balance, December 31, 2015	**43,443,096**	**0.08**
Issued (note 6(b)(v)((vi)(vii))	36,913,871	0.13
Exercised	(15,987,467)	0.05
Expired	(8,400,033)	0.05
Balance, December 31, 2016	**55,969,467**	**$0.13**

(Expressed in Canadian Dollars)

6. Share capital (continued)

c) Warrants (continued)

Issue date	Expiry date	Exercise price	Number of warrants
February 18, 2015	February 18, 2017	$0.10	5,289,286
November 6, 2015	November 6, 2017	$0.12	3,537,285
December 29, 2015	December 29, 2017	$0.12	10,036,425
December 31, 2015 (1)	December 31, 2017	$0.07	280,100
May 6, 2016	May 5, 2018	$0.12	14,285,715
May 6, 2016 (2)	May 5, 2018	$0.07	805,550
September 19, 2016	September 19, 2017	$0.15	16,825,558
September 19, 2016 (3)	September 19, 2018	$0.11	991,055
September 19, 2016 (4)	September 19, 2018	$0.09	1,266,467
October 26, 2016	October 26, 2018	$0.15	2,490,559
October 26, 2016 (5)	October 26, 2018	$0.09	161,467
Weighted average exercise price		$0.13	55,969,467

(1) Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half of one common share purchase warrant, at an exercise price of $0.07 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until December 31, 2017 at the exercise price of $0.12 per share.

(2) Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of $0.07 for a period of 24 months.

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

(4) Each broker warrant entitles the holder thereof to purchase one 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.

(Expressed in Canadian Dollars)

7. Stock options

Stock option transactions for the years presented are as follows:

	Number of stock options	Weighted average exercise price ($)
Balance, December 31, 2014	**11,641,748**	**0.10**
Granted [(1)(2)]	3,968,859	0.07
Expired/forfeited	(2,000,000)	0.10
Balance, December 31, 2015	**13,610,607**	**0.08**
Balance, December 31, 2015	**13,610,607**	**0.08**
Granted [(3)(4)(4)(5)(6)(7)(8)]	7,700,000	0.07
Expired/forfeited	(4,600,000)	(0.08)
Exercised	(200,000)	(0.07)
Balance, December 31, 2016	**16,510,607**	**0.08**

The weighted average grant date fair value of options granted during the year ended December 31, 2016 was $0.08 (December 31, 2015 - $0.08).

[(1)] On April 17, 2015, the Company granted 2,168,859 options, of which 1,868,859 were granted to certain directors and officers of the Company and 300,000 were granted to consultants. The stock options each have an exercise price of $0.07 per share and are exercisable for a period of 5 years. The options will vest immediately. The estimated fair value of these options at the grant date was $134,469 using the Black-Scholes valuation model. The estimated fair value of the options has been charged during the year to the consolidated statements of operations and comprehensive loss and credited to contributed surplus in shareholders' equity. During the year ended December 31, 2015, $134,469 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.85%;
- Expected life: 5.0 years;
- Expected volatility: 140.5% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.07.

[(2)] On October 1, 2015, the Company granted 1,800,000 options, of which 1,000,000 were granted to directors of the Company and 800,000 were granted to consultants. The stock options each have an exercise price of $0.07 per share and are exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was $111,600 using the Black-Scholes valuation model. The estimated fair value of the options has been charged during the year ended December 31, 2015 to the consolidated statements of operations and comprehensive loss and credited to contributed surplus in shareholders' equity. During the year ended December 31, 2015, $111,600 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.81%;
- Expected life: 5.0 years;
- Expected volatility: 141% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.07.

7. Stock options (continued)

(3) 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. The estimated fair value of the options has been charged to the consolidated statements of operations and comprehensive loss and credited to contributed surplus in shareholders' equity. During the year ended December 31, 2016, $84,884 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.8%;
- Expected life: 5.0 years;
- Expected volatility: 141% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.09.

(4) 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 year ended December 31, 2016, $130,665 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.63%;
- Expected life: 5.0 years;
- Expected volatility: 141.7% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.08.

(5) 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 year ended December 31, 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.

7. Stock options (continued)

(6) 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 year ended December 31, 2016, $23,425 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.68%;
- Expected life: 5.0 years;
- Expected volatility: 140% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.085.

(7) 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 year ended December 31, 2016, $20,318 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.73%;
- Expected life: 5.0 years;
- Expected volatility: 140% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.08.

(8) On December 6, 2016, the Company granted 500,000 options to a consultant of the Company. The stock options each have an exercise price of $0.10 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 $44,000 using the Black-Scholes valuation model. During the year ended December 31, 2016, $44,000 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: 1.02%;
- Expected life: 5.0 years;
- Expected volatility: 137% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: $0.10.

(Expressed in Canadian Dollars)

7. Stock options (continued)

The following table reflects the stock options issued and outstanding as of December 31, 2016:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
August 24, 2017	0.10	0.65	1,050,000	1,050,000	-
November 29, 2017	0.10	0.91	100,000	100,000	-
November 29, 2017	0.10	0.91	100,000	100,000	-
January 23, 2019	0.10	2.06	2,991,748	2,991,748	-
October 24, 2019	0.06	2.81	1,700,000	1,700,000	-
April 16, 2020	0.07	3.29	2,068,859	2,068,859	-
October 1, 2020	0.07	3.75	1,300,000	1,300,000	-
April 19, 2021	0.07	4.30	1,000,000	-	1,000,000
June 6, 2021	0.06	4.43	3,200,000	-	3,200,000
June 6, 2021	0.08	4.43	500,000	-	500,000
September 7, 2021	0.08	4.69	1,000,000	-	- 0
September 18, 2021	0.06	4.72	1,000,000	-	1,000,000
December 6, 2021	0.10	4.93	500,000	500,000	-
	0.08	**3.40**	**16,510,607**	**9,810,607**	**4,700,000**

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

During the year ended December 31, 2016, the Company made payments of $114,387 as a result of reassessed GST returns filed for the period from July 1, 2011 to December 31, 2012. The amount of $114,387 includes interest and penalties up to March 16, 2016, the date of the latest Canada Revenue Agency reassessment. The Company is in the process of appealing the reassessment and will reverse the reassessed GST expense if the appeal is successful.

9. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of $2,951,483 (year ended December 31, 2015 – $1,072,156) and the weighted average number of common shares outstanding of 204,429,337 (year ended December 31, 2015 – 138,589,668). 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)

10. Income taxes

The Company's reported income taxes differ from the amounts obtained by applying statutory rates of 27% (2015 – 27%) to the loss before income taxes as follows:

	2016	**2015**
Loss for the year, before income taxes	**$ (2,951,483)**	$ (1,072,156)
Income tax recovery at statutory rates	**$ (796,900)**	$ (562,224)
Increase (decrease) related to:		
Tax rate charges and other adjustments	**302,360**	18,781
Non-deductible expenses	**112,360**	11,745
Effect of flow-through renunciation	**531,640**	-
Flow-through share premium	**(172,380)**	526,269
Change in tax benefits not recognized	**22,920**	5,429
Provision for income taxes	**$ -**	$ -

The following table summarizes the components of deferred tax:

	2016	**2015**
Deferred Tax Assets		
Non-capital losses carried forward	**269,200**	199,456
Deferred Tax Liabilities		
Mineral Properties	**(269,200)**	(199,456)
	-	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016	**2015**
Non-capital losses carried forward	**$ 13,071,185**	$ 12,416,786
Marketable Securities	**1,002,530**	932,506
Net Capital losses carried forward	**102,282**	102,282
Share issuance costs	**383,830**	-
Other temporary differences	**16,073**	87,798

The non-capital losses carried forward will expire as noted in the table below. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issuance and financing costs will be fully amortized in 2020. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(Expressed in Canadian Dollars)

10. Income taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

2024	$ 240
2025	4,790
2026	342,000
2027	1,877,340
2028	2,761,380
2029	1,729,570
2030	338,270
2031	1,743,980
2032	913,480
2033	957,540
2034	921,480
2035	912,550
2036	$ 1,565,600
	$ 14,068,220

11. General and administrative

	Year Ended December 31, 2016	Year Ended December 31, 2015
Wages, benefits and incentive compensation	**$ 338,022**	$ 19,635
Sales and marketing	**266,788**	166,155
Professional fees (note 12)	**452,202**	297,455
Office and general	**408,584**	339,726
	$ 1,465,596	$ 822,971

12. Related party balances and transactions

a) During the year ended December 31, 2016, compensation, salaries and benefits of $780,000, (year ended December 31, 2015 - $360,000) 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 year ended December 31, 2016, share-based payments of $230,807 were rewarded to a director and officers of the Company (year ended December 31, 2015 - $nil).

c) To the knowledge of the directors and executive officers of the Company as of December 31, 2016, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

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

13. Financial risk management

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

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

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

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

Credit risk
Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations; the Company's maximum exposure to credit loss is the book value of its financial instruments. The Company is not exposed to any significant credit risk as at December 31, 2016. The Company's cash is deposited with a major Canadian chartered bank and is held in highly-liquid investments.

As at December 31, 2016, the aggregate gross credit risk exposure related to cash was $1,957,093 (2015 – $1,781,257), and was entirely comprised of cash held with financial institutions with an "AA" credit rating or above and securities brokerage firms. As at December 31, 2016, the aggregate gross credit risk exposure related to receivables was $173,821 (2015 – $18,280) and was primarily comprised of commodity taxes receivables.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. All of the Company's financial liabilities are due within one year. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2016, the Company had a total of $1,957,093 in cash and $9,199 in investments.

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

Currency risk
Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company believes it is not significantly exposed to foreign exchange risk at this time as its business activities are denominated in Canadian currency. The Company may, however, be exposed to foreign exchange fluctuations, which could have a significant adverse effect on its consolidated results of operations from time to time, should the Company enter into foreign currency denominated transactions.

(Expressed in Canadian Dollars)

13. Financial risk management (continued)

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

Fair values

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

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

Fair value hierarchy and liquidity risk disclosure

Cash and investments	Level 1	Level 2	Level 3	Total
December 31, 2016	$ 1,966,292	$ -	$ -	$ 1,966,292
December 31, 2015	$ 1,785,365	$ -	$ -	$ 1,785,365

14. Capital management

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

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

At December 31, 2016, the Company's capital structure consists of the equity of the Company. The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends.

15. Commitments and contingencies

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

The Company has entered into lease agreements for premises and other equipment. The future minimum lease commitments are as follows:

2017 and thereafter	$	1,439

Flow-through commitment:

As of December 31, 2016, the Company must incur $562,153 in eligible exploration expenditures on or before December 31, 2017.

16. Subsequent events

(i) On January 20, 2017, the Company has completed a non-brokered private placement financing consisting of the sale of 27,272,648 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.

(ii) On February 21, 2017, the Company granted an aggregate of 6,050,000 stock options to directors, senior officers and consultants, of which 5,300,000 were granted at an exercise price of $0.13 and 750,000 were granted at an exercise price of $0.17 with an expiration date of February 20, 2022 for all of the options.

(iii) 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.

Vanguard is a private corporation incorporated under the laws of Saskatchewan and headquartered in Saskatoon, SK. Vanguard’s sole purpose is:

(i) to finance, develop, engineer, construct and operate a mine and processing plant to produce potash from the Vanguard asset near Eyebrow and Tugaske in Saskatchewan; and

(ii) to market and sell the potash product.

The key terms of the Shareholder Agreement are as follows:

(a) EGME will contribute capital to Vanguard in two tranches:

(i) First tranche of $US 5M will be used to fund the feasibility study and will be provided following compliance with the required Canadian banking regulations and processes;

(ii) Second tranche of $US 200M, which represents the full estimated capital to construct and commissioning of the first facility of the Vanguard project;

(b) Gensource will assign a 49% interest in the KL 245 lease (the “Lease“) to Vanguard;

(c) Gensource will assign the Mining Rights Agreement to Vanguard, allowing it to benefit from 100% of mining on the Lease;

(d) Gensource will assign the Technical Services and Technology Agreement to Vanguard, bringing Gensource’s expertise and unique approach to potash mining and processing to the JV;

(e) Vanguard will become 49% owned by EGME and 51% owned by Gensource upon receipt of the first tranche of financing ($US 5M). Once construction financing is committed and delivered (estimated at $US 200M), Vanguard will become 70% owned by EGME and 30% by Gensource;

(f) Following the completion of Phase One of the Vanguard 1 Project (to produce 250,000 tonnes of potash per annum), both parties shall make all commercially reasonable efforts to undertake and complete one or more expansion phase necessary to increase production of potash to a minimum of 1M tonnes/per annum, the final production target; and

(g) The board of Vanguard will initially comprise of three nominees of EGME and two nominees of Gensource. A jointly appointed management team will lead the development of the new potash facility. Gensource will maintain control of Vanguard until construction financing has been committed.