



FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Gensource Potash Corporation:

Opinion

We have audited the financial statements of Gensource Potash Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a loss of \$3,148,598 and negative cash flows from operations of \$2,014,510 during the year ended December 31, 2018 and, as of that date, the Company had a deficit in the amount of \$22,463,685. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario

March 27, 2019

Chartered Professional Accountants

Licensed Public Accountants

Gensource Potash Corporation

Statements of Financial Position (Expressed in Canadian Dollars)

	As at December 31, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash	\$ 975,158	\$ 464,905
Prepaid expenses and deposits	32,954	181,124
GST/HST and other receivables	104,261	201,602
Total current assets	1,112,373	847,631
Non-current assets		
Investments	2,771	9,820
Exploration and evaluation assets (notes 4 and 13)	13,949,904	11,447,375
Property, plant and equipment (note 5)	11,307	15,138
Right-of-use assets (note 6)	155,012	-
Total non-current assets	14,118,994	11,472,333
Total assets	\$ 15,231,367	\$ 12,319,964
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities	\$ 218,089	\$ 41,852
Flow-through premium obligation	267,660	166,702
Short-term portion of lease liability (note 7)	46,188	-
Total current liabilities	531,937	208,554
Non-current liabilities		
Lease liability (note 7)	113,506	-
Total liabilities	645,443	208,554
Shareholders' equity		
Share capital (note 8)	32,427,238	27,590,544
Units to be issued	-	3,552
Contributed surplus	4,622,371	3,832,401
Deficit	(22,463,685)	(19,315,087)
Total shareholders' equity	14,585,924	12,111,410
Total shareholders' equity and liabilities	\$ 15,231,367	\$ 12,319,964

Nature of operations and going concern (note 1)
Commitments and Contingencies (notes 7 and 16)
Subsequent events (note 17)

Approved by the Board of Directors:

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

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

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

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

	Years Ended December 31,	
	2018	2017
Expenses		
General and administrative (notes 12 and 13)	\$ 2,447,584	\$ 1,967,710
Share-based payments (note 9 and 13)	789,970	1,513,529
Depreciation (notes 5 and 6)	69,274	5,219
	3,306,828	3,486,458
Loss before under noted items	(3,306,828)	(3,486,458)
Interest income	11,327	4,142
Unrealized loss on FVTPL investments	(7,050)	621
Flow-through premium obligation discharged	170,132	317,327
Accretion expense (note 7)	(16,179)	-
Loss and comprehensive loss	\$ (3,148,598)	\$ (3,164,368)
Basic and diluted net loss per share (note 10)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (note 10)	340,384,238	288,856,246

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

Gensource Potash Corporation

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Years Ended December 31,	
	2018	2017
Operating activities		
Net loss	\$ (3,148,598)	\$ (3,164,368)
Adjustments for:		
Depreciation	69,274	5,219
Share-based payments	789,970	1,513,529
Accretion expense	16,179	-
Unrealized loss on FVTPL investments	7,050	(621)
Flow-through premium obligation discharged	(170,132)	(317,327)
	(2,436,257)	(1,963,568)
Changes in non-cash working capital	421,747	(2,348,380)
Net cash (used in) provided by operating activities	(2,014,510)	(4,311,948)
Investing activities		
Acquisition and expenditures on exploration and evaluation assets	(2,502,529)	(4,543,324)
Repayment of lease on right-to-use asset	(76,940)	-
Net cash used in investing activities	(2,579,469)	(4,543,324)
Financing activities		
Cash proceeds for shares to be issued	-	2,108
Cash proceeds from issuance of shares	4,751,448	6,672,142
Cash proceeds from exercise of warrants	659,488	975,716
Cost of issuance	(306,704)	(455,882)
Cash proceeds from exercise of stock options	-	169,000
Net cash provided by financing activities	5,104,232	7,363,084
Net change in cash	510,253	(1,492,188)
Cash, beginning of year	464,905	1,957,093
Cash, end of year	\$ 975,158	\$ 464,905

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

Gensource Potash Corporation

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Issued shares	Share capital	Units to be issued	Contributed surplus	Deficit	Total
Balance, December 31, 2016	247,608,949	\$ 20,296,454	\$ 15,400	\$ 2,415,432	\$(16,150,719)	\$ 6,576,567
Units to be issued from exercise of warrants		(1,444)	3,552	-	-	2,108
Issuance of units (note 8(b))	62,557,989	6,687,540	(15,400)	-	-	6,672,140
Issuance of units from exercise of warrants	9,144,738	975,716	-	-	-	975,716
Issuance cost - cash	-	(455,882)	-	-	-	(455,882)
Share-based payments (note 9)	-	-	-	1,513,529	-	1,513,529
Flow-through premium (note 8(b))	-	(177,400)	-	-	-	(177,400)
Issuance of units from exercise of options	1,950,000	265,560	-	(96,560)	-	169,000
Loss and comprehensive loss for the year	-	-	-	-	(3,164,368)	(3,164,368)
Balance, December 31, 2017	321,261,676	\$ 27,590,544	\$ 3,552	\$ 3,832,401	\$(19,315,087)	\$ 12,111,410
Issuance of shares (note 8(b))	38,553,762	4,751,448	-	-	-	4,751,448
Issuance of units from exercise of warrants	5,941,904	663,040	(3,552)	-	-	659,488
Issuance cost - cash	-	(306,704)	-	-	-	(306,704)
Share-based payments (note 9)	-	-	-	789,970	-	789,970
Flow-through premium (note 8(b))	-	(271,090)	-	-	-	(271,090)
Loss and comprehensive loss for the year	-	-	-	-	(3,148,598)	(3,148,598)
Balance, December 31, 2018	365,757,342	\$ 32,427,238	\$ -	\$ 4,622,371	\$(22,463,685)	\$ 14,585,924

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

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

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, 18 King Street, Suite 902, Toronto, Ontario, M5C 1C4

These financial statements were authorized and approved by the Board of Directors on March 27, 2019.

The 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 December 31, 2018, the Company had working capital of \$580,436, negative cash flows and an accumulated deficit in the amount of \$22,463,685. 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 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 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 financial statements.

Basis of preparation

These 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 financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

Financial instruments

Financial assets

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

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

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

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

ii. Amortized cost

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

Financial liabilities

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

i. Amortized cost

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

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

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

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

Transaction costs

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

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

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

Derecognition

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

Expected Credit Loss Impairment Model

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

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

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

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 14 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).

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

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 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.

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 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

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

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 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.

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

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.

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.

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. All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

New accounting standard adopted

IFRS 9 - Financial instruments

On January 1, 2018, the Company adopted the following and there was no material impact on the Company's financial statements.

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

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

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

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

Classification	IAS 39	IFRS 9
Cash	FVTPL	FVTPL
Marketable securities	FVTPL	FVTPL
Other receivables	Loans and receivables (amortized cost)	Amortized cost
Amounts payable and other liabilities	Other financial liabilities (amortized cost)	Amortized cost

IFRS 15 Revenue from Contracts with Customers

On January 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers. The new standard includes a five step recognition and measurement approach for revenue arising from contracts with customers, and includes new requirements for accounting for contract costs. Revenues arising from financial instruments within the scope of IFRS 9 – Financial Instruments, specifically interest revenue and loan fees, are excluded from the scope of IFRS 15. All other revenue streams are included within the scope of IFRS 15.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The adoption of this standard did not have any significant impact on the Company's financial statements.

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

New accounting standard adopted (continued)

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company early adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2017 has not been restated. It remains as previously reported under IAS 17 and related interpretations. The weighted average incremental borrowing rate applied to lease liabilities on January 1, 2018 was 10%. The aggregate lease liability recognized in the statement of financial position at January 1, 2018 and Company's operating lease commitment at January 1, 2018 can be reconciled as follows:

Operating lease commitment at January 1, 2018	\$	78,852
Effect of discounting those lease commitments at an annual rate of 10%		(18,949)
	\$	59,903

Recent accounting pronouncement

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 1 January 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.

3. Critical judgments and accounting estimates

The preparation of the 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 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 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 statements of operations and comprehensive loss in the period the new information becomes available.

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

3. Critical judgments and accounting estimates (continued)

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.

Discount rate on initial recognition

All the components of the lease liability are required to be discounted to reflect the present value of the payments. The discount rate to use is the rate implicit in the lease, unless this cannot readily be determined, in which case the lessee's incremental borrowing rate is used instead. The definition of the lessee's incremental borrowing rate states that the rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Significant judgment is required to estimate an incremental borrowing rate in the context of a right-of-use asset.

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.

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.

Gensource Potash Corporation

Notes to Financial Statements

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(Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

The Vanguard Project (continued)

APA 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"). It also contained a Term Sheet that defined key terms for the future sale of potash product from the proposed facility. Key terms of the transaction included 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, paid by cash or convertible to shares in the Company if sufficient funds are not raised. The shares would have been issued at an exercise price equal to the 20 day VWAP prior to the maturity date. The Company has paid the full \$2,480,000 purchase price as well as approximately \$300,000 for the Lease conversion costs, and the debenture was cancelled.

On April 21, 2017, the Company announced that the offtake agreement with Yancoal Canada Resources was terminated.

On April 3, 2017, the Company executed a shareholder agreement ("Shareholder Agreement") with Essel Group ME Limited ("EGME") to create a joint venture company, Vanguard Potash Corp. ("JV" or "Vanguard"), pursuant to the memorandum of understanding between the two parties announced on November 29, 2016. The purpose of the JV was to finance, construct and operate a new potash production facility in Saskatchewan located on Gensource's wholly owned subsurface mineral lease KL 245. The Shareholder Agreement defined commitments for both parties as well as conditions precedent to the JV. One condition precedent carried a specific deadline, that of initial capitalization (termed the Initial Contribution in the Shareholder Agreement) of the JV by EGME. Despite an extension of the deadline for the Initial Contribution and planning meetings for the JV, as of October 2, 2017, Vanguard has not received the Initial Contribution. On that basis, the Company considers the JV Shareholder Agreement null and void.

On May 18, 2018, the Company entered into a definitive, binding off-take agreement ("Agreement" or "Off-take") with a senior North American agriculture industry leader (the "Off-taker"). The Agreement incorporates the essential elements which are:

- ◆ Purchase of 100% of the production from one "module" of 250,000 tonne/year capacity,
- ◆ A preliminary marketing plan that facilitates Gensource's goal of creating a direct link between a potash producing facility in Saskatchewan and the end user,
- ◆ 10-year term with an option to renew for the life of the project,
- ◆ Right of first refusal for the Off-taker to purchase any additional product that may be produced at the project either through de-bottlenecking or expansion of the productive capacity of the facility,
- ◆ Right of first refusal to purchase the project should Gensource elect to sell any portion of it

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

Gensource Potash Corporation

Notes to Financial Statements

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(Expressed in Canadian Dollars)

4. Exploration and evaluation assets (continued)

Cost	Lazlo	Vanguard	Total
Balance, December 31, 2016	\$ 1,088,876	\$ 5,815,175	\$ 6,904,051
Additions:			
Property acquisition and surface access fees	14,797	288,365	303,162
Geological and project management	9,000	236,613	245,613
Engineering	-	2,463,515	2,463,515
Drilling	-	567,727	567,727
Seismic	-	905,720	905,720
Environmental	-	57,587	57,587
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
Environmental	-	85,381	85,381
Balance, December 31, 2018	\$ 1,120,335	\$ 12,829,569	\$ 13,949,904

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

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

5. Property, plant and equipment

Cost

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

Accumulated depreciation

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
Balance, December 31, 2016	97,812	79,359	12,350	95,853	285,374
Depreciation for the year	1,776	3,443	-	-	5,219
Balance, December 31, 2017	99,588	82,802	12,350	95,853	290,593
Depreciation for the year	1,421	2,410	-	-	3,831
Balance, December 31, 2018	101,009	85,212	12,350	95,853	294,424

Carrying amount

	Furniture and equipment \$	Computer hardware \$	Computer software \$	Leasehold improvements \$	Total \$
At December 31, 2017	7,104	8,034	-	-	15,138
At December 31, 2018	5,683	5,624	-	-	11,307

Gensource Potash Corporation

Notes to Financial Statements

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(Expressed in Canadian Dollars)

6. 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

7. 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

**As at
December 31,
2018**

Short-term lease expense	\$ 46,188
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	Under 1 year	Between 1 - 2 years	Between 3 - 5 years	Over 5 years	Total
Property	\$ 45,307	\$ 105,274	\$ -	\$ -	\$ 150,581
Equipment	881	3,592	4,640	-	9,113
Total	\$ 46,188	\$ 108,866	\$ 4,640	\$ -	\$ 159,694

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

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8. 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, 2018, the Company had 365,757,342 common shares (December 31, 2017 – 321,261,676) issued and outstanding.

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

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

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

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

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

8. Share capital (continued)

b) Common shares (continued)

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

As a result of the issuance of flow-through units, a flow-through premium of \$177,400 was calculated. The current balance of the flow-through premium has been presented as a current liability in the statements of financial position.

The Company paid a total of \$169,851 in finder's fees and issued 861,884 broker warrants associated with the closing, entitling the holder thereof to purchase one common share at exercise price of \$0.18 for a period of 18 months. These warrants were assigned a value of \$65,965 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.69%;
- Expected life: 1.5 years;
- Expected volatility: 106% based on historical trends; and
- Weighted average share price: \$0.165.

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

The Company paid a total of \$810 in finder's fees and issued 3,000 broker warrants associated with the closing, entitling the holder thereof to purchase one common share at exercise price of \$0.18 for a period of 18 months. These warrants were assigned a value of \$187 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

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

iv) On November 29, 2017, the Company completed tranche one of a non-brokered private financing by issuing 10,360,768 common shares at a price of \$0.065 per share for aggregate gross proceeds of \$673,450.

The Company paid commissions to certain finders consisting of cash payments of \$34,580 and the issuance of 532,000 agent's warrants, exercisable into Common Shares at \$0.065 per agent's warrant for a period of 18 months. These warrants were assigned a value of \$21,300 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.41%;
- Expected life: 1.5 years;
- Expected volatility: 95% based on historical trends; and
- Weighted average share price: \$0.08.

Gensource Potash Corporation

Notes to Financial Statements

Years Ended December 31, 2018 and 2017

(Expressed in Canadian Dollars)

8. Share capital (continued)

b) Common shares (continued)

v) On December 15, 2017, the Company completed tranche two of a non-brokered private financing by issuing 14,345,383 common shares at a price of \$0.065 per share for aggregate gross proceeds of \$932,450.

The Company paid commissions to certain finders consisting of cash payments of \$40,280 and the issuance of 615,076 agent's warrants, exercisable into Common Shares at \$0.065 per agent's warrant for a period of 18 months. These warrants were assigned a value of \$24,600 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.53%;
- Expected life: 1.5 years;
- Expected volatility: 95% based on historical trends; and
- Weighted average share price: \$0.08.

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

The Company paid commissions to certain finders consisting of cash payments of \$199,760, issued 1,598,080 agent's warrants, exercisable into Common Shares at \$0.125 per agent's warrant for a period of 18 months, and paid legal and other fees of \$17,678. These warrants were assigned a value of \$114,100 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.87%;
- Expected life: 1.5 years;
- Expected volatility: 89% based on historical trends; and
- Weighted average share price: \$0.15.

vii) On December 4, 2018, the Company completed a non-brokered private financing by issuing 13,554,494 flow-through shares at a price of \$0.12 per share for aggregate gross proceeds of \$1,626,539. As part of the financing, certain officers (the "Insiders") purchased an aggregate of 833,333 common shares.

As a result of the issuance of flow-through shares, a flow-through premium of \$271,090 was calculated. The current balance of the flow-through premium has been presented as a current liability in the statements of financial position.

The Company paid commissions to certain finders consisting of cash payments of \$74,920, issued 624,332 agent's warrants, exercisable into Common Shares at \$0.12 per agent's warrant for a period of 18 months, and paid legal and other fees of \$14,477. These warrants were assigned a value of \$22,700 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: 2.10%;
- Expected life: 1.5 years;
- Expected volatility: 88% based on historical trends; and
- Weighted average share price: \$0.10.

Gensource Potash Corporation

Notes to Financial Statements

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(Expressed in Canadian Dollars)

8. 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, 2016	55,969,467	0.13
Issued (note 8(b)(i)(ii)(iii)(iv)(v))	17,298,207	0.16
Exercised	(9,144,738)	(0.11)
Expired	(12,615,381)	(0.12)
Balance, December 31, 2017	51,507,555	0.14
Issued (note 8(b)(vi)(vii))	3,284,964	0.13
Exercised	(5,911,804)	(0.10)
Expired	(30,904,548)	(0.14)
Balance, December 31, 2018	17,976,167	\$0.15

Issue date	Expiry date	Exercise price	Number of warrants
January 20, 2017	January 20, 2019	\$0.17	13,712,134
January 20, 2017 ⁽¹⁾	January 20, 2019	\$0.11	958,545
November 29, 2017 ⁽²⁾	May 29, 2019	\$0.065	532,000
December 15, 2017 ⁽²⁾	June 15, 2019	\$0.065	551,076
May 31, 2018 ⁽³⁾	June 30, 2019	\$0.125	1,598,080
December 4, 2018 ⁽⁴⁾	June 4, 2020	\$0.12	624,332
Weighted average exercise price		\$0.15	17,976,167

⁽¹⁾ Each broker warrant entitles the holder thereof to purchase one unit, which consists of one common share and one-half common share purchase warrant, at an exercise price of \$0.11 for a period of 24 months. Each whole common share purchase warrant entitles the holder to purchase one common share until January 20, 2019 at the exercise price of \$0.17 per share.

⁽²⁾ Each broker warrant entitles the holder thereof to purchase one common share at an exercise price of \$0.065 for a period of 18 months.

⁽³⁾ 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.

⁽⁴⁾ 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 Financial Statements

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9. Stock options

Stock option transactions for the years presented are as follows:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2016	16,510,607	0.08
Granted ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	12,050,000	0.14
Expired/forfeited	(200,000)	(0.10)
Exercised	(1,950,000)	(0.09)
Balance, December 31, 2017	26,410,607	0.11
Granted ⁽⁷⁾⁽⁸⁾⁽⁹⁾	6,000,000	0.11
Expired/forfeited	(2,900,000)	(0.11)
Balance, December 31, 2018	29,510,607	0.10

The weighted average grant date fair value of options granted during the year ended December 31, 2018 was \$0.11 (December 31, 2017 - \$0.14).

⁽¹⁾ On February 21, 2017, the Company granted 5,300,000 stock options (including 4,500,000 stock options to directors and officers of the Company) at an exercise price of \$0.13 and are exercisable for a period of 5 years. The options will vest after 1 year from the date of grant. The estimated fair value of these options at the grant date was \$796,917 using the Black-Scholes valuation model. During the year ended December 31, 2018, \$113,533 (year ended December 31, 2017 - \$683,383), was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.17%;
- Expected life: 5.0 years;
- Expected volatility: 133% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.17.

⁽²⁾ On February 21, 2017, the Company granted 750,000 stock options at an exercise price of \$0.17 and are exercisable for a period of 5 years. 450,000 options vested immediately and the remaining 300,000 options will vest with the following terms: 75,000 options on May 21, 2017, 75,000 options on August 21, 2017, 75,000 options on November 21, 2017, 75,000 options on February 21, 2018. The estimated fair value of these options at the grant date was \$110,593 using the Black-Scholes valuation model. During the year ended December 31, 2018, \$1,576 (year ended December 31, 2017 - \$109,017), was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.17%;
- Expected life: 5.0 years;
- Expected volatility: 133% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.17.

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9. Stock options (continued)

⁽³⁾ On April 24, 2017, the Company granted 3,000,000 options to consultants of the Company. The stock options each have an exercise price of \$0.18 per share and are exercisable for a period of 5 years. The options vested 750,000 immediately, 750,000 in one year and 1,500,000 when Vanguard 1 reaching design capacity. The estimated fair value of these options at the grant date was \$465,000 using the Black-Scholes valuation model. During the year ended December 31, 2018, \$89,917 (year ended December 31, 2017 - \$233,057), was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.03%;
- Expected life: 5.0 years;
- Expected volatility: 132% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.18.

⁽⁴⁾ On May 10, 2017, the Company granted 500,000 options to a consultant of the Company. The stock options each have an exercise price of \$0.18 per share and are exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$77,500 using the Black-Scholes valuation model. During the year ended December 31, 2018, \$nil (year ended December 31, 2017 - \$77,500) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.06%;
- Expected life: 5.0 years;
- Expected volatility: 131% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.18.

⁽⁵⁾ On May 10, 2017, the Company granted 1,500,000 options to a consultant of the Company. The stock options each have an exercise price of \$0.14 per share and are exercisable for a period of 5 years. The options vest 500,000 in one year and 1,000,000 on final closing of JV Partnership, but not sooner than one year. The estimated fair value of these options at the grant date was \$237,000 using the Black-Scholes valuation model. During the year ended December 31, 2018, \$26,271 (year ended December 31, 2017 - \$124,069) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 1.06%;
- Expected life: 5.0 years;
- Expected volatility: 131% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.18.

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Notes to Financial Statements

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(Expressed in Canadian Dollars)

9. Stock options (continued)

(6) On November 14, 2017, 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 vest immediately. The estimated fair value of these options at the grant date was \$59,100 using the Black-Scholes valuation model. During the year ended December 31, 2018 \$nil, (year ended December 31, 2017 - \$59,100) 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: 1.51%;
- Expected life: 5.0 years;
- Expected volatility: 128% based on historical trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.07.

(7) 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 year ended December 31, 2018, \$306,500 was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 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.

(8) 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 vested 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 year ended December 31, 2018, \$103,448 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

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(Expressed in Canadian Dollars)

9. Stock options (continued)

⁽⁹⁾ 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 year ended December 31, 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.

The following table reflects the stock options issued and outstanding as of December 31, 2018:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)	Number of options unvested
January 23, 2019	0.10	0.06	2,791,748	2,791,748	-
October 24, 2019	0.06	0.81	1,200,000	1,200,000	-
April 16, 2020	0.07	1.29	1,868,859	1,868,859	-
October 1, 2020	0.07	1.75	1,000,000	1,000,000	-
April 19, 2021	0.07	2.30	1,000,000	1,000,000	-
June 6, 2021	0.06	2.43	3,200,000	3,200,000	-
June 6, 2021	0.08	2.43	500,000	-	500,000
September 18, 2021	0.06	2.72	1,000,000	1,000,000	-
December 6, 2021	0.10	2.93	500,000	500,000	-
February 20, 2022	0.13	3.14	4,800,000	4,800,000	-
February 20, 2022	0.17	3.14	150,000	150,000	-
April 23, 2022	0.18	3.31	3,000,000	1,500,000	1,500,000
May 9, 2022	0.18	3.36	500,000	500,000	-
May 9, 2022	0.14	3.36	1,500,000	500,000	1,000,000
November 13, 2022	0.08	3.87	1,000,000	1,000,000	-
February 1, 2023	0.09	4.09	3,500,000	3,500,000	-
June 13, 2023	0.145	4.45	1,000,000	-	1,000,000
July 18, 2023	0.145	4.55	1,000,000	1,000,000	-
	0.10	2.72	29,510,607	25,510,607	4,000,000

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10. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2018 was based on the loss attributable to common shareholders of \$3,148,598 (year ended December 31, 2017 – \$3,164,368) and the weighted average number of common shares outstanding of 340,384,238 (year ended December 31, 2017 – 288,856,246). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

11. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2017 – 27%) to the effective tax rate is as follows:

	2018	2017
Loss for the year, before income taxes	\$ (3,148,598)	\$ (3,164,368)
Income tax recovery at statutory rates	\$ (850,120)	\$ (854,379)
Increase (decrease) related to:		
Prior year true-up	192,480	17,222
Non-deductible expenses	220,480	409,383
Effect of flow-through renunciation	458,590	180,667
Flow-through share premium	(45,940)	(85,678)
Other	950	(201)
Share issuance costs booked through equity	(119,780)	(197,692)
Change in tax benefits not recognized	143,340	530,678
Provision for income taxes	\$ -	\$ -

The following table summarizes the components of deferred tax:

	2018	2017
Deferred Tax Assets		
Non-capital losses carried forward	1,169,920	1,145,701
Deferred Tax Liabilities		
Mineral Properties	(1,131,370)	(1,145,701)
Property and equipment	(38,550)	-
	-	-

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:

	2018	2017
Non-capital losses carried forward	\$ 14,586,680	\$ 14,544,157
Marketable securities	1,003,870	996,818
Net capital losses carried forward	102,280	102,282
Share issuance costs	981,780	871,446
Property and equipment	-	9,196
Intangible assets - 75%	-	7,078

The Canadian non-capital loss carry forwards 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 2022. The remaining deductible temporary differences may be carried forward indefinitely.

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(Expressed in Canadian Dollars)

11. Income taxes (continued)

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 group can utilize the benefits therefrom.

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

2026	\$	240
2027		4,790
2028		342,000
2029		1,877,340
2030		2,761,380
2031		1,729,570
2032		2,082,250
2033		1,733,650
2034		885,760
2035		912,440
2036		1,530,910
2037		2,231,630
2038		2,827,750
	\$	18,919,710

12. General and administrative

	Years Ended December 31,	
	2018	2017
Wages, benefits and incentive compensation	\$ 62,902	\$ 61,723
Sales and marketing	642,976	649,454
Professional fees (note 13)	1,252,770	558,142
Office and general	488,936	698,391
	\$ 2,447,584	\$ 1,967,710

13. Related party balances and transactions

a) During the year ended December 31, 2018, compensation, salaries and benefits of \$1,222,000, (year ended December 31, 2017 - \$720,000) 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, 2018, share-based payments of \$602,322 were rewarded to directors and officers of the Company (year ended December 31, 2017 - \$808,821).

c) To the knowledge of the directors and executive officers of the Company as of December 31, 2018, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

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

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14. 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 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, 2018. The Company's cash is deposited with a major Canadian chartered bank and is held in highly-liquid investments.

As at December 31, 2018, the aggregate gross credit risk exposure related to cash was \$975,158 (2017 – \$464,905), 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, 2018, the aggregate gross credit risk exposure related to receivables was \$104,261 (2017 – \$201,602) and was primarily comprised of commodity taxes receivables and other 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, 2018, the Company had a total of \$975,158 in cash and \$2,771 in investments to settle liabilities of \$377,783.

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 results of operations from time to time, should the Company enter into foreign currency denominated transactions.

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14. 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, 2018	\$ 977,929	\$ -	\$ -	\$ 977,929
December 31, 2017	\$ 474,725	\$ -	\$ -	\$ 474,725

15. 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 optimises 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, 2018, 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.

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16. 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.

Flow-through commitment:

As of December 31, 2018, the Company must incur \$1,595,089 in eligible exploration expenditures on or before December 31, 2019.

17. Subsequent events

(i) Subsequent to December 31, 2018, 14,670,679 warrants expired unexercised.

(ii) Subsequent to December 31, 2018, 2,550,000 options expired unexercised.

(iii) Subsequent to December 31, 2018, 2,741,748 options at an exercised price of \$0.10 were exercised. These options were to expire on January 22, 2019

(iv) Subsequent to December 31, 2018, the Company issued 1,500,000 stock options to certain directors of the Company at an exercise price of \$0.105 and are exercisable for a period of 5 years.