Gensource
POTASH CORP

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2016

Introduction

The following interim Management Discussion & Analysis ("Interim MD&A") of Gensource Potash Corporation (the "Company" or "Gensource") for the three and six months ended June 30, 2016 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2015. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual financial statements for the years ended December 31, 2015 and December 31, 2014, together with the notes thereto, and unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim consolidated financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of August 29, 2016, unless otherwise indicated.

The following Interim MD&A, particularly under the heading "Liquidity and Capital Resources", contains forward-looking information that involves numerous risks and uncertainties. The forward-looking information is not historical fact, but rather is based on the Company's current plans, objectives, goals, strategies, estimates, assumptions and projections about the industry, business and future financial results. The Company's actual results could differ materially from those discussed in such forward-looking statements.

For the purposes of preparing this Interim MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relating to the Company is available free of charge on the System for Electronic Document Analysis and Retrieval (SEDAR) website at **www.sedar.com.**

Caution Regarding Forward-looking Statements

This Interim MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this Interim MD&A speak only as of the date of this Interim MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this Interim MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements	Assumptions	Risk factors
Potential of Gensource's properties to contain potash deposits.	Financing will be available for future exploration and development of Gensource's properties; the actual results of Gensource's exploration and development activities will be favourable; operating, exploration and development costs will not exceed Gensource's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Gensource, and applicable political and economic conditions will be favourable to Gensource; the price of potash and applicable interest and exchange rates will be favourable to Gensource; no title disputes exist with respect to the Company's properties.	Potash price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with Gensource's expectations; availability of financing for and actual results of Gensource's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending June 30, 2017.	The operating and exploration activities of the Company for the twelve-month period ending June 30, 2017, and the costs associated therewith, will be consistent with Gensource's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to Gensource.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions.

The Company's ability to carry out anticipated exploration on its property interests.	The exploration activities of the Company for the twelve-month period ending June 30, 2017, and the costs associated therewith, will be consistent with Gensource's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions will be favourable to Gensource.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; receipt of applicable permits.
Plans, costs, timing and capital for future exploration and development of Gensource's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations.	Financing will be available for Gensource's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Gensource; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions will be favourable to Gensource; the price of potash will be favourable to Gensource; no title disputes exist with respect to Gensource's properties.	Potash price volatility, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with Gensource's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff.
Management's outlook regarding future trends.	Financing will be available for Gensource's exploration and operating activities; the price of potash will be favourable to Gensource.	Potash price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.
Sensitivity analysis of financial instruments.	The aggregate gross credit risk exposure related to cash at June 30, 2016, was $1,790,925 (December 31, 2015 – $1,781,257), and was entirely made up of cash held with financial institutions with an "AA High" credit rating or above and securities brokerage firms.	Changes in debt and equity markets; interest rate and exchange rate fluctuations.

Gensource will continue to focus its efforts on securing strategic partners for developing a successful potash production facility.	Strategic partners with the same goal as Gensource will agree to terms favourable to Gensource for the development of a potash production facility.	Management may not find strategic partners; terms may be unfavourable to Gensource.
Prices and price volatility for potash.	The price of potash will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of potash will be favourable.	Changes in debt and equity markets and the spot price of potash; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Gensource's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section above. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Interim MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Gensource's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

Gensource is based in Saskatoon, Saskatchewan, and is focused on potash development. Its registered head office is located at Peterson & Company, 390 Bay Street, Suite 806, Toronto, Ontario, M5H 2Y2.

Operational Highlights

In May 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 (24) months.

In May 2016, 10,299,967 warrants were exercised for gross proceeds of $514,998.

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 immediately.

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.

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, the timing of which cannot be determined.

Exploration update

In March 2016, the Company began the process of acquiring two potash exploration permits in a prospect area nearby its Lazlo Project Area in central Saskatchewan. These permits are currently being converted to mineral leases by the Government of Saskatchewan. The Company refers to these permit/lease areas as the Vanguard Project Area.

<u>The Vanguard Project</u>

The Vanguard Area is located in central Saskatchewan and comprises two mineral leases that are the subject of the Asset Purchase Agreement ("APA") with Yancoal Canada Resources ("YCR").

On April 6, 2016, the Company announced that it has entered into a definitive Asset Purchase Agreement ("APA") which includes 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 Yancoal Canada Resources Co. Ltd. ("YCR").

The APA defines 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 : $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 will be issued at an exercise price equal to the 20 day VWAP prior to the maturity date. The company will require a financing to close, which will be completed as a private placement on terms to be announced. The Company has paid approximately $300,000 for the Lease conversion costs, which it understands may be refunded if the permits are not converted to leases. The transaction is subject to regulatory approval.

The NI 43-101 Technical Report, dated April 22, 2016, provides the next step for Gensource in the development of its Vanguard Project. The report documents the geological work completed by YCR on the two permit areas KP 483 and KP 363. Based on this drilling, logging, assay and seismic data as well as the public domain historical regional geological information available, the report defines an initial Inferred resource on the Project Area, together with additional "Exploration Target" quantities.

A subsequent updated 43-101 PEA Report for Vanguard was announced May 31, 2016. The PEA provided the first look at what a project might look like at Vanguard. The report details the engineering completed, utilizing selective solution mining to extract potash from the ore zone and the cooling crystallization processing planned for the surface process plant. The capital cost estimate is listed as an AACE Class 5 capital cost estimate and was the basis for the 40-year cash flow financial model created as part of the report. The report is filed on SEDAR and the key results of the PEA were announced in a news release dated May 31, 2016.

Updates on the Lazlo Project

No additional engineering or geological work was completed for the Lazlo project area during the period. However, the Company continues to work with its partners in both India and Brazil to create a market partner in each of those countries. It is the creation of a market partner that triggers the development of a project to suit that market.

Technical Information

Mike Ferguson, P.Eng., a qualified person pursuant to NI 43-101, has reviewed and approved the technical disclosure in this Interim MD&A.

Trends

Gensource anticipates that it will continue to experience net losses as a result of ongoing cash outflows from investing in its potash assets and operating costs until such time as revenue-generating activity is commenced. The Company's future financial performance is dependent on many external factors. Both the price of and the market for potash are volatile, difficult to predict, and subject to changes in domestic and international political, social, and economic environments. Circumstances and events such as economic conditions and volatility in the capital markets could materially affect the future financial performance of the Company. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

Financial Highlights

Financial Performance

Three months ended June 30, 2016 compared to three months ended June 30, 2015

During the three months ended June 30, 2016, the Company had a consolidated net loss of $488,193, (three months ended June 30, 2015 – $341,445).

Consolidated expenses during the three months ended June 30, 2016 were $491,579 (three months ended June 30, 2015 - $340,536), an increase of $151,043 is primarily because of the general and administrative expenses.

During the three months ended June 30, 2016, the Company recorded interest income of $744 (three months ended June 30, 2015 – $239), unrealized loss on investments of $1,147 (three months ended June 30, 2015 – $1,148) and a flow-through premium obligation discharged of $3,789 (three months ended June 30, 2015 - $nil).

During the three months ended June 30, 2016, overall general and administrative expenses were $149,633 higher than the comparative period in 2015. The following is a breakdown of general and administrative expenses for the three months ended June 30, 2016 and 2015:

Three Months Ended June 30,	2016	2015	Change
	$	$	$
Wages, benefits and incentive compensation	11,303	12,717	(1,414)
Sales and marketing [(1)]	83,933	29,069	54,864
Professional fees [(1)]	121,072	84,229	36,843
Office and general [(1)]	137,855	78,515	59,340
Total general and administrative expenses	354,163	204,530	149,633

[(1)] Costs were higher during the three months ended June 30, 2016 because of increased corporate activities.

Consolidated assets

Consolidated assets were $6,389,018 at June 30, 2016 (December 31, 2015 - $4,618,622), an increase of approximately 38%. Exploration and evaluation assets increased by approximately 62% from December 31, 2015. The total amount of exploration and evaluation assets represents approximately 69% of total assets (December 31, 2015 – 59% of total assets). Receivables increased by approximately 89% from December 31, 2015. Further, the Company had an increase in prepaid expenses and deposit of approximately 76% and a decrease in property, plant and equipment of approximately 7%. At June 30, 2016, the Company had cash of $1,790,925 (December 31, 2015 - $1,781,257), with an increase of $9,668.

Consolidated liabilities

At June 30, 2016, consolidated liabilities were $187,232 (December 31, 2015 - $191,110). The variation is primarily because of the decrease in flow-through premium obligation.

The Company will continue to attempt to secure additional financing to facilitate the execution of its business plan.

Shareholders' equity

At June 30, 2016, shareholders' equity increased by $1,774,274, which is primarily due to the completion of a private placement raising $2,000,000 in share capital.

As at June 30, 2016, the Company had 208,812,601 common shares issued and outstanding, 48,321,871 common share purchase warrants outstanding and 17,610,607 stock options outstanding, of which 13,910,607 were vested.

Investment portfolio

The Company's investments consist primarily of resource companies whose principal business is exploration and development. During the six months ended June 30, 2016, there was no change in ownership of these investments but due to the fluctuation of the fair value of these investments, the Company reported an unrealized gain of $479 (six months ended June 30, 2015 – unrealized gain of $811). At June 30, 2016, the market value of the Company's investments was $4,587 (December 31, 2015 – $4,108). The Company's cash position at June 30, 2016, was $1,790,925 (December 31, 2015 - $1,781,257).

Current and Future Plans Related to the Lothar Project

The following summarizes the Company's current confirmation and development programs at the Lothar project areas, total estimated cost to complete the project development work, and total expenditures incurred to date.

Summary of Completed Activities (Six months Ended June 30, 2016)	(A) Spent	Plans for the Project	(B) Planned Expenditures
Land acquisition and staking	$7,040	Notification for lease termination was issued by management on May 30, 2016 and the project will be officially suspended at lease expiry in 2017.	$nil
Subtotals	**$7,040**		**$nil**
Total (A+B)			**$7,040**

Current and Future Plans Related to the Lazlo Project

The following summarizes the Company's current confirmation and development programs at the Lazlo project areas, total estimated cost to complete the project development work, and total expenditures incurred to date.

Summary of Completed Activities (Six months Ended June 30, 2016)	(A) Spent	Plans for the Project	(B) Planned Expenditures
Land acquisition and staking Geological and project management	$5,623 $22,500	At the date of this MD&A, it is more likely, in the immediate term, for the Company to pursue the Vanguard project and therefore the budgeted expenditures are not included here.	$nil
Subtotals	**$28,123**		**$nil**
Total (A+B)			**$28,123**

Current and Future Plans Related to the Vanguard Project

The following summarizes the Company's current confirmation and development programs at the Vanguard project areas, total estimated cost to complete the project development work, and total expenditures incurred to date.

Summary of Completed Activities (Six months Ended June 30, 2016)	(A) Spent	Plans for the Project	(B) Planned Expenditures
Land acquisition and staking Geological and project management	$1,524,192 $126,159	Drilling, coring and assaying. Feasibility study and environmental and regulatory licensing work. Any expenditure is dependent upon reaching agreements with strategic partners and completing one more financing.	$9,000,000 - $11,000,000 [(1)]
Total (A+B)	**1,650,351**		**$10,650,351 – $12,650,351**

[(1)] At the date of this MD&A, the Company has decided, in the immediate term, to focus its resources on the Vanguard project and therefore the budgeted expenditures are included here.

Cash Flow

For the six months ended June 30, 2016, the Company increased its cash position by $9,668 (six months ended June 30, 2015 – decreased by $425,091) as a result of cash used in operating, investing and financing activities as follows:

Cash used in operations, including changes in non-cash working capital, totaled $756,303 during the six months ended June 30, 2016, comparing to $421,653 used in operations for the six months ended June 30, 2015. The increase of $334,650 is primarily due to a reassessed goods and service tax ("GST") of $114,387 paid to the Canada Revenue Agency following a GST audit for the period from July 1, 2011 to December 31, 2012, as well as the changes in non-cash working capital of $72,725 for the six months ended June 30, 2016 (six months ended June 30, 2015 – $35,936).

Cash used in investing activities during the six months ended June 30, 2016, totaled $1,686,514 (six months ended June 30, 2015 – $217,648), a difference of $1,468,866, as a result of more cash used in the acquisition and expenditure of exploration and evaluation assets.

During the six months ended June 30, 2016, the Company received $2,452,485 in cash proceeds from its financing activities (six months ended June 30, 2015 – $214,210).

Liquidity and Financial Position

The activities of the Company, principally the development of resource opportunities, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

The following table summarizes the Company's consolidated working capital position:

As at	**June 30, 2016**	December 31, 2015
Consolidated working capital ($)	**1,776,758**	1,687,105
Consolidated working capital ratio (%)	**10.5:1**	9.8:1

The Company includes cash, receivables and investments in its capital management considerations. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders by maximizing investment returns through its potash assets and investment portfolio. The Company manages capital in proportion to risk and manages the investment portfolio and capital structure based on economic conditions and prevailing commodity pricing and trends.

The following table is a summary of quantitative data about what the Company manages as capital:

As at	**June 30, 2016 ($)**	December 31, 2015 ($)	Change ($)
Cash	**1,790,925**	1,781,257	9,668
Receivables	**34,517**	18,280	16,237
Investments	**4,587**	4,108	479

The Company monitors these items to assess its ability to fulfill its ongoing financial obligations.

The Company relies on equity financings to maintain adequate liquidity to support its ongoing working capital commitments.

The final 2016 budget will be allocated as follows (see "Caution Regarding Forward-looking Statements"):

Expenditures	**Funds Required**
General & administrative budget (1)	$ 2,132,000
Project Development (2)	$9,000,000 - $11,000,000
Carrying costs to maintain properties in good standing	$25,000
Miscellaneous	$106,000
Total Expenditures	**$11,263,000 – 13,263,000**

(1) Salaries and Benefits - $285,000; Contract Services - $860,000; Legal and Audit Services - $235,000; Transfer Agent & Regulatory Fees - $32,000; and Office and Operating Costs - $720,000.
(2) Seismic 3D - $1,000,000; Drilling - $3,000,000; and Geology Consultant – $100,000; engineering – $4,500,000; Environmental and Regulatory work – $1,000,000.

Given that Gensource is still in the exploration phase and the Company has not earned any revenue since its inception other than the sale from select portfolio investments, and while the Company intends to spend the funds available to it as stated, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

The Company may not have sufficient funds to meet its 2016 budget and will require a cash injection from either debt, funds from a new partner or from a private placement. The Company's future plans and budgets may be implemented, subject to a cash injection. The Company will need to raise additional funding in order to continue operations at the current level for the six months period ending December 31, 2016, after the deferral of certain accounts payable to the extent practical. However, to meet long-term business plans, exploring the Gensource potash assets and developing resource opportunities are an important component of the Company's financial success.

Transactions with Related Parties

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related entities on an arm's length basis.

Related parties include management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties:

a) Included in general and administrative expenses and exploration and evaluation assets for the three and six months ended June 30, 2016 are short term employee salaries and benefits to key management and director compensation of $90,000 and $180,000, respectively (three and six months ended June 30, 2015 - $90,000 and $180,000, respectively). Key management compensation consists of the following:

During the three and six months ended June 30, 2016, compensation, salaries and benefits of $67,500 and $135,000, respectively, (three and six months ended June 30, 2015 - $67,500 and $135,000, respectively) were paid to a director and officers of the Company or related companies controlled by the director, officers and former officers of the Company.

During the three and six months ended June 30, 2016, the Company also paid compensation of $22,500 and $45,000, respectively to the VP Corporate Services (three and six months ended June 30, 2015 - $22,500 and $45,000, respectively).

	Three Months Ended June 30, 2016 ($)	**Three Months Ended June 30, 2015 ($)**
FCON Consulting (1)(**)	45,000	45,000
Rob Theoret (2) (*)	22,500	22,500
10118810 Saskatchewan Ltd.(3)(*)	22,500	22,500
Total	**90,000**	**90,000**

	Six Months Ended June 30, 2016 ($)	**Six Months Ended June 30, 2015 ($)**
FCON Consulting (1)(**)	90,000	90,000
Rob Theoret (2) (*)	45,000	45,000
10118810 Saskatchewan Ltd. (3)(*)	45,000	45,000
Total	**180,000**	**180,000**

(1) Controlled by Chief Executive Officer.

(2) Compensation to the Chief Financial Officer.

(3) VP, Corporate Services.

(*) Included in general and administrative expenses.

(**) 50% is included in exploration and evaluation assets and 50% is included in general and administrative expenses.

b) To the knowledge of the directors and executive officers of the Company as of June 30, 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.

Disclosure Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate filed by the Company, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited condensed interim financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's MD&A for the fiscal year ended December 31, 2015, available on SEDAR at www.sedar.com.

Subsequent Event

On July 18, 2016, the Company announced that it has engaged Industrial Alliance Securities Inc. ("IA") as sole agent in connection with a proposed best efforts marketed private placement for gross proceeds of up to $4,000,000 (the "Offering"). The Offering will consist of the sale of up to 27,777,777 common shares in the capital stock of the Company (the "Common Shares") at a price of $0.09 per Common Share and up to 13,636,363 Common Shares issued on a flow-through basis (the "Flow-Through Shares") at a price of $0.11 per Flow-Through Share. In addition, the Company has also granted IA an option (the "Agent's Option"), exercisable up to 48 hours prior to the closing of the Offering, to cause the Company to issue up to an additional 15% of the maximum of the Offering in Common Shares and/or Flow-Through Shares.

In consideration for their services, IA will receive a cash commission equal to 8.0% of the gross proceeds of the Offering and compensation warrants to purchase common shares equal to 8% of the total number of Common Shares and Flow-Through Shares sold exercisable for 24 months from the Closing Date at $0.09 per common share, including, in both instances, any proceeds realized on exercise of the Agent's Option.