Gensource POTASH CORP

# INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

## FOR THE THREE AND NINE MONTHS ENDED

## SEPTEMBER 30, 2019

## Introduction

The following interim Management's Discussion & Analysis ("Interim MD&A" or "MD&A") of Gensource Potash Corporation (the "Company" or "Gensource") for the three and nine months ended September 30, 2019 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2018. 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, 2018, and 2017, together with the notes thereto, and unaudited condensed interim financial statements for the three and nine months ended September 30, 2019, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's unaudited condensed interim 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 financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of November 26, 2019, unless otherwise indicated.

## Summary of Key Activities

Gensource made significant advancements for the Tugaske Project ("Tugaske" or the "Project"), "formerly known as Maverick", during the quarter. Highlights include:

- The closing of a royalty sale ("Royalty") on the Project. The Company sold a royalty of an aggregate of 2% of gross revenues on the Tugaske Project for $US 6.0M. Two royalties were sold totaling the 2% and $US 6M and, importantly, the two purchasers were none other than the Project's off-taker and strategic third-party investor identified in Gensource's news release dated May 22, 2019. **The sale of the Royalty was critical for a number of reasons:**
    - It provides capital for Gensource to complete the up-coming senior debt finance due diligence process,
    - It provides working capital for Gensource through to financial close of the project finance package,
    - It is non-dilutive to existing Gensource shareholders, something that Gensource directors and management hold as important, and
    - It provides the opportunity for the Project's off-taker and strategic third-party investor to invest their capital in the project up-front, on an equal footing with Gensource shareholders. This is a tremendously important issue – Gensource now has the financial commitment and support of its future equity partners in the development of the Project and it shows a strong belief and commitment on behalf of the off-taker and strategic third party investor in the ultimate success of the project, because there is no royalty payment if there is no production.
- Closing of a small private placement. The private placement was completed on a part-and-parcel basis with the sale of the Royalty. The subscribers in the private placement were the strategic third-party investor and Gensource's financial advisor, Roc Global of New York. Total proceeds raised in the private placement was $US 1.1M.
- As of November 27, 2019, the Company had working capital of $8,168,497

- Formal mandating of KfW IPEX-Bank as the Lead Arranger for the required project debt. As previously disclosed, the senior project debt financing is expected to be approximately $US 180M. KfW IPEX-Bank will support the project with a significant portion of that total held in-house and will work with banks that Gensource has introduced to the project as well as its own banking network to syndicate the remainder. The Project will seek export credit agency ("ECA") coverage with the involvement of KfW IPEX-Bank and such coverage is expected to both decrease senior lenders' risk exposure and decrease the Project's borrowing costs.

With these major milestones now having been accomplished, the project moves ahead into the detailed due diligence process towards an expected financial close first quarter next year.

## Caution Regarding Forward-looking Statements

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 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 MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this 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 September 30, 2020. | The operating and exploration activities of the Company for the twelve-month period ending September 30, 2020, 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 three-month period ending September 30, 2020 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 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. | Prolonged low-price environment, other new production and their combined depressing effect on gaining strategic partner interest; 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 September 30, 2019, was $80,470 (December 31, 2018 – $975,158), 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 below. 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 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 & McVicar LLP, 18 King Street, Suite 902, Toronto, Ontario, M5C 1C4.

## Operational Highlights

### Corporate

On January 31, 2019, the Company granted 1,500,000 stock options at an exercise price of $0.105 and are exercisable for a period of 5 years. The options vest immediately.

During the nine months ended September 30, 2019, 2,741,748 options were exercised for gross proceeds of $274,175 by directors and management.

During the nine months ended September 30, 2019, 1,067,076 warrants were exercised for gross proceeds of $69,360.

### Exploration & Evaluation

<u>Updates on the Vanguard Area Projects:</u>

- Gensource continued to work on project planning and preparation efforts, in parallel with the advancement of project financing and joint venture agreements, so that the execution of key tasks (engineering for construction, long-lead equipment orders, etc.) can begin in an efficient and effective manner upon completion of key project financing milestones.
- Gensource engaged with the local communities, sharing updates about Gensource and the status of projects in the Vanguard Area.

- Gensource engaged with the several ministers and staff members within the Saskatchewan Government, discussing key issues affecting small potash producers in Saskatchewan. The aim of these discussions is to work collaboratively with the Government in order to determine methods and improvements to the regulatory and taxation framework – promoting investment in the province and providing a level playing field between new entrants and incumbents in the potash sector.
- Gensource monitored the reclamation work on it's exploration drilling sites, drilled in 2016, 2017, and 2018 respectively, as part of the environmental process to return these sites to their pre-disturbed state.
- Gensource strategically identified and acquired freehold mineral rights in the Vanguard Area, adding to the total minerals available for mining and production of future modules.
- Meetings were held overseas with the offtaker, equity investors, and debt financing partners, to advance the implementation of a second project in the Vanguard Area, the Tugaske Project (see news release dated October 10, 2019). Additionally, meetings with the offtaker and equity investor were held in Saskatoon, SK, and the groups visited the Vanguard Area and the proposed site for the Tugaske Project.
- Gensource advanced planning and began initiation of an exploration drilling program that will be executed in the Vanguard Area in the fall/winter of 2019; furthering the preparation of the area to accommodate several Gensource potash production modules - which is part of the company's long-term business strategy. As part of the exploration drilling program, a single well will be drilled, and potash core will be recovered and assayed, to better define and quantify the geology and subsequent classification of the resource and reserves in the Vanguard Area. Additional test work will also be completed as part of this exploration program, including Drill Stem Tests (DSTs) on potential brackish water-bearing formations.

Current and Future Plans Related to the Vanguard Area Projects:

- Gensource will begin drilling of an exploration well in the Vanguard Area, on the KL245 lease, with the aim of completing the site work before the end of 2019.
- Gensource will advance the agreements with both the equity and debt partners on the Tugaske Potash Project, including the detailed due diligence review of the lead debt lenders, and independent/third party reviews of the technical, financial, and marketing details of the Project. In parallel to this, the definitive offtake agreement and joint venture arrangement will be finalized, solidifying the financing and ownership structure of the Tugaske Potash Project.
- Gensource will undertake an initial equity marketing "road show", meeting with potential equity investors to promote the Project, generate awareness and prepare for a future project financing equity raise for Gensource's ownership portion of the Tugaske Potash Project.
- Gensource will continue to advance project planning and initiation efforts for all projects under development in the Vanguard Area.
- Gensource will continue to engage with the local communities and provincial government, to share information and plans on the company and the Vanguard Area Project, aiming to create awareness and alignment on the objectives and opportunities Gensource will bring to the province of Saskatchewan.

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 (Nine months Ended September 30, 2019) | (A) Spent | | Plans for the Project | (B) Planned Expenditures |
|---|---|---|---|---|
| Property acquisition, mineral leases and surface access fees | $332,013 | | Drilling, coring and assaying. | $2,500,000 |
| Geological and project management | $366,673 | | Senior Lender due diligence process. | $3,500,000 |
| Engineering | $Nil | | Initial project preparation activities | $1,000,000 |
| Drilling | $1,389 | | Maintenance of properties in good standing | $ 50,000 |
| Seismic | $nil | | | |
| Environmental | $19,595 | | Note: Any expenditure is dependent upon reaching agreements with strategic partners. | |
| **Total** | **$719,670** | | | **$7,050,000** |

**Estimated Expenditures for the Tugaske Potash Project**

| TUGASKE POTASH PROJECT - CAPITAL COST ESTIMATE SUMMARY | | | | |
|---|---|---|---|---|
| AREA | Area Description | Grand Total Cost | % of Total | USD |
| 100 | Mining | $ 23,737,691 | 8% | $ 18,259,762 |
| 200 | Wellfield | $ 17,303,806 | 6% | $ 13,310,620 |
| 300 | Process Plant | $ 75,334,270 | 25% | $ 57,949,439 |
| 400 | Product Storage and Loadout | $ 13,366,062 | 4% | $ 10,281,586 |
| 500 | Site Infrastructure | $ 25,963,062 | 9% | $ 19,971,586 |
| 600 | Offsites | $ 6,877,011 | 2% | $ 5,290,008 |
| 700 | Non-Process Facilities | $ 29,550,001 | 10% | $ 22,730,770 |
| | TOTAL DIRECT COST | $ 192,131,903 | 63% | $ 147,793,772 |
| 900 | Project Indirects | $ 78,777,600 | 26% | $ 60,598,154 |
| | TOTAL INDIRECT COSTS | $ 78,777,600 | 26% | $ 60,598,154 |
| | DIRECT + INDIRECT COSTS | $ 270,909,503 | 89% | $ 208,391,925 |
| 980 | Contingency | $ 33,395,979 | 11% | $ 25,689,215 |
| | GRAND TOTAL COST | $ 304,305,482 | 100% | $ 234,081,140 |

Updates on the Lazlo Project

No significant engineering or geological work was completed for the Lazlo project area during the nine months ended September 30, 2019. However, the Company continues to work with its contacts to attract a market partner, which would allow development of the Lazlo Area.

Current and Future Plans Related to the Lazlo Project

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

| Summary of Completed Activities (Nine months Ended September 30, 2019) | (A) Spent | Plans for the Project | (B) Planned Expenditures |
|---|---|---|---|
| Land acquisition and staking<br><br>Geological and project management | $7,057<br><br>$nil | Costs associated with maintaining existing lease agreements in good standing.<br><br>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 no budgeted expenditures are not included for the Lazlo Area. | $25,000 |
| **Subtotals** | **$7,057** | | **$25,000** |

### Technical Information

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

Three months ended September 30, 2019 compared to three months ended September 30,2018

During the three months ended September 30, 2019, the Company had a net loss of $261,180 with basic and diluted loss per share of $0.00. This compares with a net loss of $719,375 with basic and diluted loss per share of $0.00 for the three months ended September 30, 2018. The decrease in the net loss of $458,195 was principally because:

- Expenses during the three months ended September 30, 2019 were $252,193 (three months ended September 30, 2018 - $732,707), a decrease of $480,514 is primarily because lower general and administrative expenses being $272,953 and lower share-based payments of $221,201.

- During the three months ended September 30, 2019, the Company recorded interest income of $nil (three months ended September 30, 2018– $5,941), unrealized loss on investments of $1,516 (three months ended September 30, 2018 –$nil) as the company's portfolio decreased in value and an accretion expenses of $7,471 (three months ended September 30, 2018 - $nil).

- During the three months ended September 30, 2019, overall general and administrative expenses were $272,953 lower than the comparative period in 2018. The following is a breakdown of general and administrative expenses for the three months ended September 30, 2019 and 2018:

| Three Months Ended September 30, | 2019 | 2018 | Change |
|---|---|---|---|
| | $ | $ | $ |
| Wages, benefits and incentive compensation | 6,002 | 11,117 | 5,115 |
| Sales and marketing (1) | 24,359 | 176,932 | 152,573 |
| Professional fees (2) | 95,616 | 169,172 | 73,556 |
| Office and general | 98,106 | 139,815 | 41,709 |
| Total general and administrative expenses | 224,083 | 497,036 | 272,953 |

(1) Costs were lower during the three months ended September 30, 2019 as a result a decrease in marketing and promotion research as the Company progresses into the required due diligence efforts.
(2) Professional fees decreased due to lower management fee and advisory costs being expensed.

<u>Nine months ended September 30, 2019 compared to nine months ended September 30, 2018</u>

During the nine months ended September 30, 2019, the Company had a net loss of $1,011,664 with basic and diluted loss per share of $0.00. This compares with a net loss of $2,912,916 with basic and diluted loss per share of $0.01 for the nine months ended September 30, 2018. The decrease in the net loss of $1,901,252 was principally because:

- Expenses during the nine months ended September 30, 2019 were $995,266 (nine months ended September 30, 2018 - $2,948,448), a decrease of $1,953,182 is primarily because lower general and administrative expenses being $1,383,501 and lower share-based payments of $610,550.

- During the nine months ended September 30, 2019, the Company recorded interest income of $3,932 (nine months ended September 30, 2018– $7,291), unrealized loss on investments of $1,038 (nine months ended September 30, 2018 –$75) as the company's portfolio decreased in value and an accretion expenses of $23,922 (nine months ended September 30, 2018 - $nil).

- During the nine months ended September 30, 2019, overall general and administrative expenses were $1,383,501 lower than the comparative period in 2018. The following is a breakdown of general and administrative expenses for the nine months ended September 30, 2019 and 2018:

| Nine Months Ended September 30, | 2019<br>$ | 2018<br>$ | Change<br>$ |
|---|---|---|---|
| Wages, benefits and incentive compensation | 24,484 | 56,107 | 31,623 |
| Sales and marketing [3] | 110,864 | 567,569 | 456,705 |
| Professional fees [4] | 317,908 | 1,026,147 | 708,239 |
| Office and general | 293,172 | 480,106 | 186,934 |
| Total general and administrative expenses | 746,428 | 2,129,929 | 1,383,501 |

(3) Costs were lower during the nine months ended September 30, 2019 as a result a decrease in marketing and promotion research as the Company progresses into the required due diligence efforts.

(4) Professional fees decreased due to lower management fee and bonuses, legal and advisory costs being expensed.

Assets

Assets were $14,931,612 at September 30, 2019 (December 31, 2018 - $15,231,367), a decrease of approximately 2%. Exploration and evaluation assets increased by approximately 5% from December 31, 2018. The total amount of exploration and evaluation assets represents approximately 98% of total assets (December 31, 2018 – 91% of total assets). Receivables decreased by approximately 71% from December 31, 2018. Further, the Company had a decrease in prepaid expenses and deposit of approximately 45% and a decrease in property, plant and equipment of approximately 7%. At September 30, 2019, the Company had cash of $80,470 (December 31, 2018 - $975,158), with a decrease of $894,688 in cash.

Liabilities

At September 30, 2019, liabilities were $754,922 (December 31, 2018 - $645,443). The variation is primarily because of the decrease in amounts payable and other liabilities and lease liability

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

Shareholders' equity

At September 30, 2019, shareholders' equity decreased by $409,234, which is primarily due to the increase in deficit of $1,011,664 for the nine months ended September 30, 2019. The decrease is primarily offset by the increase in share capital of $434,605 as 2,741,748 options and 1,067,076 warrants were exercised.

As at September 30, 2019, the Company had 369,566,166 common shares issued and outstanding, 2,222,412 common share purchase warrants outstanding and 25,718,859 stock options outstanding, of which 22,718,859 were vested.

Investment portfolio

The Company's investment consists primarily of a resource company whose principal business is exploration and development. During the nine months ended September 30, 2019, there was no change in ownership of this investment but due to the fluctuation of the fair value of these investments, the Company reported an unrealized loss of $1,038 (nine months ended September 30, 2018– unrealized loss of $75). At September 30, 2019, the market value of the Company's investment was $1,733 (December 31, 2018 – $2,771).

### Cash Flow

For the nine months ended September 30, 2019, the Company decreased its cash position by $894,688 as a result of cash used and provided in operating, investing and financing activities as follows**:**

Cash used in operations, including changes in non-cash working capital of $236,284, totaled $506,212 during the nine months ended September 30, 2019. This was as a result of net loss of $1,011,664 for the nine months ended September 30, 2019, adjusted for non-cash transactions including mainly share-based payments of $205,096, depreciation of $43,742, and accretion expense on $23,922.

Cash used in investing activities during the nine months ended September 30, 2019 consisted of the acquisition and expenditure of exploration and evaluation assets of $726,727, purchase of equipment of $1,378 and repayment of right to use assets of $57,705. The expenditure of exploration and evaluation assets cost and was mainly for geological and project management of $366,673, property acquisition, mineral leases and surface access fees of $339,070, environmental of $19,595.

During the nine months ended September 30, 2019, the Company received $397,334 in cash proceeds from financing activities as 2,741,748 stock options were exercised for gross proceeds of $274,175 and 1,067,076 warrants were exercised for a gross proceed of $69,360. This was offset with cost of issuance of $1,601. The Company also received cash of $55,400 for the shares to be issued.

### Liquidity and Capital Resources

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 working capital position:

| As at | **September 30, 2019** | December 31, 2018 |
|---|---|---|
| Working capital ($) | **(553,662)** | 580,436 |
| Consolidated working capital ratio (%) | **19%** | 209% |

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. The Company manages capital in proportion to risk and manages the capital structure based on economic conditions and business objectives.

### 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) During the three and nine months ended September 30, 2019, compensation, salaries and benefits of $165,000 and $495,000, respectively (three and nine months ended September 30, 2018 - $165,000 and $1,057,000, respectively) were paid to a director and officers of the Company or related companies controlled by the director and officers of the Company. They were included in general and administrative expenses and exploration and evaluation assets.

| | Three Months Ended September 30, 2019 ($) | Three Months Ended September 30, 2018 ($) | Nine Months Ended September 30, 2019 ($) | Nine Months Ended September 30, 2018 ($) |
|---|---|---|---|---|
| FCON Consulting (1) | 75,000 | 75,000 | 225,000 | 500,000 |
| Rob Theoret (2) | 45,000 | 45,000 | 135,000 | 297,000 |
| 101188810 Saskatchewan Ltd. (3) | 45,000 | 45,000 | 135,000 | 260,000 |
| **Total** | **165,000** | **165,000** | **495,000** | **1,057,000** |

(1) Controlled by Chief Executive Officer. For the three and nine months ended September 30, 2019, 50% included in exploration and evaluation assets and 50% in general and administrative expenses (three and nine months ended September 30, 2018 – 0% and 100%, respectively).

(2) Compensation to the Chief Financial Officer. For the three and nine months ended September 30, 2019, 50% included in exploration and evaluation assets and 50% in general and administrative expenses (three and nine months ended September 30, 2018 – 0% and 100%, respectively).

(3) VP, Corporate Services, included in general and administrative expenses.

b) During the three and nine months ended September 30, 2019, share-based payments of $nil and $165,000, respectively, were rewarded to directors and officers of the Company (three and nine months ended September 30, 2018 - $188,862 and $554,736, respectively).

| | Three Months Ended September 30, 2019 ($) | Three Months Ended September 30, 2018 ($) | Nine months Ended September 30, 2019 ($) | Nine months Ended September 30, 2018 ($) |
|---|---|---|---|---|
| Mark Stauffer | Nil | Nil | | 49,023 |
| Dwayne Dahl | Nil | Nil | | 49,023 |
| Michael Ferguson | Nil | Nil | | 59,734 |
| T. Robert Theoret | Nil | Nil | | 59,734 |
| Deborah Morsky | Nil | Nil | | 59,734 |
| Paul Martin | Nil | Nil | 55,000 | 38,313 |
| Calvin Redlick | Nil | 43,862 | 55,000 | 94,175 |
| Mike Mueller | Nil | 145,000 | 55,000 | 145,000 |
| **Total** | **Nil** | **188,862** | **165,000** | **554,736** |

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

d) To the knowledge of the directors and executive officers of the Company as of September 30, 2019, the common shares of the Company were widely held, which includes various small holdings which were owned by directors and officers of Gensource. These holdings can change at any time at the discretion of the owner.

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

## Outlook

For the immediate future, the Company intends to raise additional financing to continue with day-to-day operation, complete the current negotiations with various market partners, and complete confirmation drilling and other resource confirmation activities as well as engineering and environmental studies as part of project development. The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

## 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 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 financial statements; and (ii) the unaudited condensed interim 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 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, 2018, available on SEDAR at www.sedar.com.

## Subsequent Events

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

ii) On October 15, 2019, the Company announced the closing of a royalty sale ("Royalty") on the Tugaske Project to be developed within Gensource' Vanguard Area (comprising mineral leases KL244 and KL245). The Company sold a royalty of an aggregate of 2% of gross revenues on the Tugaske Project for $US6.0M. Two royalties were sold totaling the 2% and $US6M and, importantly, the two purchasers were none other than the Project's off-taker and strategic third-party investor identified in Gensource's news release dated 22 May 2019.

iii) On October 18, 2019, the Company announced that the Company has formally mandated KfW IPEX-Bank GmbH ("KfW IPEX-Bank") to act as Lead Arranger for the senior debt component ("Debt Facility" or "Facility") for the Tugaske Project finance package. The Agreement indicates that:
- KfW IPEX-Bank will be the Lead Arranger to arrange the Debt Facility for the Tugaske Project.
- A total Debt Facility of approximately USD 180 million is agreed.
- A significant portion of the Facility is to have Export Credit Agency (ECA) coverage to reduce lender risks and the Project's interest costs; ECA due diligence will also be overseen and managed by KfW IPEX-Bank.
- KfW IPEX-Bank will complete its due diligence work, including the in-depth review of technical, environmental, social, market and financial aspects of the project.
- KfW IPEX-Bank will manage syndication of the Debt Facility and plans to support the Project with a significant take and hold commitment.

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

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

vi) On November 18, 2019 216,000 broker warrants were exercised at a price of $0.125 for cash proceeds of $27,000.00