



**CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020  
(EXPRESSED IN CANADIAN DOLLARS)**

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To the Shareholders of Gensource Potash Corporation:

## Opinion

We have audited the consolidated financial statements of Gensource Potash Corporation and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated 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 Consolidated 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 consolidated 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 consolidated financial statements, which indicates that the Company incurred a net loss for the year ended December 31, 2021 and had an accumulated deficit as at December 31, 2021. 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 consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements**

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

In preparing the consolidated 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 Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

Mississauga, Ontario

March 25, 2022

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

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

	As at December 31, 2021	As at December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,712,079	\$ 748,946
Prepaid expenses and deposits	304,628	11,185
GST/HST and other receivables	143,433	37,189
Investments	11,273	6,305
<b>Total current assets</b>	<b>2,171,413</b>	<b>803,625</b>
<b>Non-current assets</b>		
Deferred financing costs	935,120	366,658
Exploration and evaluation assets (notes 4 and 15)	3,680,903	13,289,180
Property, plant and equipment (notes 4 and 5)	12,825,445	14,550
Right-of-use assets (note 6)	127,960	44,289
<b>Total non-current assets</b>	<b>17,569,428</b>	<b>13,714,677</b>
<b>Total assets</b>	<b>\$ 19,740,841</b>	<b>\$ 14,518,302</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Amounts payable and other liabilities	\$ 278,590	\$ 480,848
Short-term portion of lease liability (note 7)	40,181	49,777
<b>Total current liabilities</b>	<b>318,771</b>	<b>530,625</b>
<b>Non-current liabilities</b>		
Lease liability (note 7)	95,080	6,851
Convertible debt (notes 8 and 15)	1,937,036	-
Helm credit facility (note 9)	1,005,000	-
<b>Total liabilities</b>	<b>3,355,887</b>	<b>537,476</b>
<b>Shareholders' equity</b>		
Share capital (note 10)	40,993,968	34,707,530
Contributed surplus (note 11)	6,387,449	5,464,065
Equity portion of convertible debt (note 8)	72,526	-
Deficit	(31,068,989)	(26,190,769)
<b>Total shareholders' equity</b>	<b>16,384,954</b>	<b>13,980,826</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 19,740,841</b>	<b>\$ 14,518,302</b>

Nature of operations and going concern (note 1)  
 Commitments and Contingencies (notes 7 and 18)  
 Subsequent events (note 19)

Approved by the Board of Directors:

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

"Michael Mueller" (signed) Director  
**Michael Mueller, Director**

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

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## Gensource Potash Corporation

### Consolidated Statements of Operations and Comprehensive Loss (Expressed in Canadian Dollars)

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	Years Ended December 31,	
	2021	2020
<b>Expenses</b>		
General and administrative (notes 14 and 15)	\$ 3,212,604	\$ 961,098
Share-based payments (note 11)	1,593,400	132,900
Depreciation (notes 5 and 6)	55,141	59,316
Other exploration and evaluation	1,422	-
	<b>4,862,567</b>	<b>1,153,314</b>
<b>Income (loss) before under noted items</b>	<b>(4,862,567)</b>	<b>(1,153,314)</b>
Interest income	5,530	9,912
Unrealized gain on FVTPL investments	4,968	4,012
Gain on modification of lease liability (note 7)	5,211	-
Accretion expense (notes 7 and 8)	(52,327)	(20,061)
Foreign exchange gain	25,965	157,090
Interest on credit facility	(5,000)	-
	<b>\$ (4,878,220)</b>	<b>\$ (1,002,361)</b>
<b>Loss and comprehensive loss</b>	<b>\$ (4,878,220)</b>	<b>\$ (1,002,361)</b>
Basic and diluted loss per share (note 12)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted (note 12)	412,512,577	383,114,356

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

# Gensource Potash Corporation

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Years Ended December 31,	
	2021	2020
<b>Operating activities</b>		
Net loss	\$ (4,878,220)	\$ (1,002,361)
Adjustments for:		
Depreciation	55,141	59,316
Share-based payments	1,593,400	132,900
Accretion expense	52,327	20,061
Unrealized gain on FVTPL investments	(4,968)	(4,012)
Interest on credit facility	5,000	-
Gain on modification	(5,211)	-
	<b>(3,182,531)</b>	<b>(794,096)</b>
Changes in non-cash working capital	<b>(601,946)</b>	<b>(1,384,168)</b>
<b>Net cash used in operating activities</b>	<b>(3,784,477)</b>	<b>(2,178,264)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(7,378)	(7,776)
Acquisition and expenditures on exploration and evaluation assets and exploration assets in development stage	<b>(3,199,583)</b>	<b>(4,218,905)</b>
<b>Net cash used in investing activities</b>	<b>(3,206,961)</b>	<b>(4,226,681)</b>
<b>Financing activities</b>		
Cash proceeds from issuance of convertible debt (net)	1,980,413	-
Cash proceeds from Helm credit facility	1,000,000	-
Cash proceeds from issuance of shares	5,225,782	-
Cash proceeds from exercise of warrants	4,309	-
Cost of issuance	(289,668)	-
Cash proceeds from exercise of stock options	675,999	107,000
Deferred financing costs	(568,462)	(366,658)
Repayment of lease on right-of-use asset	(73,802)	(76,939)
<b>Net cash provided by financing activities</b>	<b>7,954,571</b>	<b>(336,597)</b>
<b>Net change in cash</b>	<b>963,133</b>	<b>(6,741,542)</b>
<b>Cash, beginning of year</b>	<b>748,946</b>	<b>7,490,488</b>
<b>Cash, end of year</b>	<b>\$ 1,712,079</b>	<b>\$ 748,946</b>

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

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

	Issued shares	Share capital	Contributed surplus	Convertible debentures	Deficit	Total
<b>Balance, December 31, 2019</b>	<b>382,832,935</b>	<b>\$ 34,495,930</b>	<b>\$ 5,435,765</b>	<b>\$ -</b>	<b>\$(25,188,408)</b>	<b>\$ 14,743,287</b>
Share-based payments (note 11)	-	-	132,900	-	-	132,900
Issuance of shares from exercise of options	1,400,000	211,600	(104,600)	-	-	107,000
Loss and comprehensive loss for the year	-	-	-	-	(1,002,361)	(1,002,361)
<b>Balance, December 31, 2020</b>	<b>384,232,935</b>	<b>\$ 34,707,530</b>	<b>\$ 5,464,065</b>	<b>\$ -</b>	<b>\$(26,190,769)</b>	<b>\$ 13,980,826</b>
Issuance of shares (note 10(b))	29,032,123	5,225,782	-	-	-	5,225,782
Issuance of shares from exercise of warrants	23,937	4,309	-	-	-	4,309
Issuance cost - cash	-	(289,668)	-	-	-	(289,668)
Share-based payments (note 11)	-	-	1,593,400	-	-	1,593,400
Convertible debt issued (note 8)	-	-	-	72,526	-	72,526
Issuance of shares from exercise of options	7,200,000	1,346,015	(670,016)	-	-	675,999
Loss and comprehensive loss for the year	-	-	-	-	(4,878,220)	(4,878,220)
<b>Balance, December 31, 2021</b>	<b>420,488,995</b>	<b>\$ 40,993,968</b>	<b>\$ 6,387,449</b>	<b>\$ 72,526</b>	<b>\$(31,068,989)</b>	<b>\$ 16,384,954</b>

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



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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 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. Its registered head office is located at the care of Peterson McVicar LLP, 18 King Street, Suite 902, Toronto, Ontario, M5C 1C4.

These consolidated financial statements were authorized and approved by the Board of Directors on March 24, 2022.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss for the year ended December 31, 2021 of \$4,878,220 (year ended December 31, 2020 - net loss of \$1,002,361) and had an accumulated deficit in the amount of \$31,068,989 at December 31, 2021 (December 31, 2020 - \$26,190,769). These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company is in the exploration and development stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration and development. As is common with many exploration companies, it raises financing for its exploration and development activities. As at December 31, 2021, the Company had working capital of \$1,852,642 (December 31, 2020 - \$273,000).

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. However, there can be no assurance that the Company will be able to obtain sufficient financing to continue its operations or to recover its exploration and evaluation assets. Accordingly, there exists a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect any adjustments or other changes that may be required should the Company be unable to continue as a going concern. Such adjustments and changes could be material.

### 2. Summary of significant accounting policies

#### Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### Basis of preparation

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

#### Basis of consolidation

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

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**Gensource Potash Corporation**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

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**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 investments and 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".

The Company's other receivables are classified as financial assets measured at amortized cost.

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, convertible debenture and Helm credit facility 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.

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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 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.

##### 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 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 16 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.

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

#### Provisions

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

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

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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 2. Summary of significant accounting policies (continued)

### Provisions (continued)

#### Provision for asset retirement obligation

An asset retirement obligation is recognized for the expected costs of reclamation at mineral properties where the Company is legally or contractually responsible for such costs. Asset retirement obligation arise from the Company's obligation to undertake site reclamation and remediation in connection with the exploration and mineral properties. The Company recognizes the estimates reclamation costs when environmental disturbance occurs, but only when a reasonable estimate can be made.

The asset retirement obligation recognized is estimated on the risk adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the expected timing of expected cash flows. Following the initial recognition, changes in the estimated undiscounted cash flows and risk-free discount rate used in calculating the present value of the asset retirement obligation are offset to the reclamation cost asset previously recognized for the specific property. Actual reclamation expenditures incurred, reduce the carrying value of the reclamation provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are included in operating costs.

As at December 31, 2021 and 2020, the Company did not have any asset retirement obligations.

### 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 to net recoverable amount.

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

Once the technical feasibility and commercial viability of extracting a mineral resource has been determined, the property is considered to be a property, plant and equipment under construction. 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 or proceeds from the sale of royalty interests, is applied against the acquisition cost of the exploration property and related exploration and evaluation assets. Consideration, in excess of the acquisition cost and related exploration and evaluation on the exploration property, is reported as income for the period and is included as income in the consolidated statements of operations and comprehensive loss.

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**Gensource Potash Corporation**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

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**2. Summary of significant accounting policies (continued)**

**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

Development costs include exploration and evaluation costs for those properties that development has commenced, or for which proven and probable reserves have been declared and the Company intends to commercially develop the property. Development costs are accumulated separately for each area in which economically recoverable mineral resources have been identified and are reasonably assured.

No amortization is provided in respect of development costs until commencement of commercial production.

**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. 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.

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.

**Share capital**

In situations where the Company issues units which are comprised of shares and warrants, 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.

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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 2. Summary of significant accounting policies (continued)

#### Flow-through shares

The Company may finance a portion of its exploration activities through the issuance of flow-through shares which pass the tax deductions on eligible expenditures through the Company to the investors. 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 consolidated operations and comprehensive loss.

#### Revenue recognition

Interest income is recorded on the accrual basis.

#### Financing costs

The Company may incur various costs when issuing or acquiring equity or debt financing. The financing costs are accounted for as a deduction from equity or debt to the extent they are directly attributable to the transaction and otherwise would not have been incurred. Costs related to a planned financing not completed at the financial statement date are recorded as deferred financing costs until the financing transaction is either completed or abandoned. The costs of a transaction that is abandoned are recognized as an expense.

#### 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. The Company currently estimates the expected volatility of its common shares based on historical volatility taking into consideration the expected life of the options. The risk-free interest rate assumption is based on the Bank of Canada marketable bonds with a remaining term equal to the stock options' expected life.

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.

#### Income 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. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

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### 2. Summary of significant accounting policies (continued)

#### Income taxes(continued)

Deferred tax is recognized in respect of all qualifying temporary differences arising 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. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

#### 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.

#### New accounting standard adopted

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

#### Recent accounting pronouncement

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded.

#### IFRS 3, Business Combinations ("IFRS 3")

Amendments to IFRS 3 "Business Combinations" were issued in May 2020, and are effective on or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" be used to identify liabilities and contingent assets arising from a business combination. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

### 3. Critical judgments and accounting estimates

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

#### Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of such expenditure is unlikely, the amount capitalized is written off in the consolidated statements of operations and comprehensive loss in the period the new information becomes available. No indications of impairment were present at December 31, 2021.

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**Gensource Potash Corporation**  
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**3. Critical judgments and accounting estimates (continued)**

**Discount rate on initial recognition**

The convertible debt and all 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 debt and/or lease, unless this cannot readily be determined, in which case the Company's incremental borrowing rate is used instead. The definition of the Company's incremental borrowing rate states that the rate should represent what the Company would have to pay to borrow over a similar term and with similar security, and 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 convertible debt and/or right-of-use asset.

**Impairment of mining interests**

The Company's management reviews the carrying values of its mining interests on transfer from an exploration property to a development property and on a regular basis to determine whether any write-downs are necessary. Property, plant and equipment is also reviewed on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining interests and property, plant and equipment depends on the Company's interpretation of its interest in the underlying mineral claims based on existing regulations, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on the life-of-mine plans in its assessments of economic recoverability and probability of future economic benefit. Life-of-mine plans provide an economic model to support the economic extraction of reserves and resources. The life-of-mine plan requires the use of estimates and assumptions such as long term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, mineral reserves, and operating performance (which includes production and sales volume). The Company performed an impairment test on the Tugaskie Project as it entered development staged during fiscal year 2021. No impairment was identified.

**4. 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 Area Project**

The Vanguard Area is located in central Saskatchewan and comprises two mineral leases that have been acquired from Yancoal Canada Resources ("YCR") and Potash Permit, block 59, acquired through a Government of Saskatchewan public offering of subsurface Mineral Crown Dispositions S010.

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.



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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

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### 4. Exploration and evaluation assets (continued)

#### The Vanguard Area Project (continued)

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

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

On December 21, 2021, the Company acquired an additional potash permit area, Block 59, through a Government of Saskatchewan public offering of subsurface Mineral Crown Dispositions S010. Block 59 which abuts existing Company leases, is approximately 7,244 hectares and represents a direct addition to mineral leases KL244 and KL245 in the Company’s Vanguard Area.

#### The Tugaske Project

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

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

During 2019, the Company closed a royalty sale (“Royalty”) on the Tugaske Project to be developed within Gensource’s Vanguard Area (comprising mineral leases KL244 and KL245). The Company sold two royalties totaling the 2% of gross revenues on the Tugaske Project for US\$6,000,000 (\$7,918,800) and the two purchasers were the Project’s off-taker and a strategic third party investor. The royalty proceeds were applied against the carrying value of the Project.

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

On May 19, 2020, the Company announced that Societe Generale was added to the senior bank consortium group. During the years ended December 31, 2020 and 2021, the Company engaged a consortium of world-class potash process design and equipment fabrication companies that will work together to provide a design-supply-commission package for the entire process plant at the Tugaske Project.

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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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### 4. Exploration and evaluation assets (continued)

#### The Tugaske Project (continued)

On November 4, 2020, the Company announced it has negotiated the fundamental shareholding structure with the project off-taker and equity investor, Helm AG ("Helm"), and another financial investor for the Tugaske Project Special Purpose Vehicle ("SPV").

On November 26, 2020, the Company announced that, in alignment with its partner and Tugaske Project off-taker, Helm AG, it has made the decision to replace the "financial investor" as identified in the Tugaske Project SPV.

On August 20, 2021, the Company formed a Special Purpose Vehicle ("SPV"), which will finance, own, construct and operate the Tugaske Project. The SPV is called KClean Potash Corporation ("KClean") and will be owned by Gensource and Helm and its North American subsidiary, HELM Fertilizer Corp. following final equity investments. As a part owner of the SPV and as Project off-taker, HELM has committed to invest \$50 million into the 250 kt/a Tugaske potash production Project, contingent upon the remaining equity and debt financing for the SPV being successfully completed and HELM's Board Approval. The investment commitment represents an increase over previously discussed amounts and will occur at financial close. With HELM's increased cash equity commitment as well as other tangible contributions it is making to support the overall financing of the Project, it is anticipated HELM will ultimately own 33% of KClean and Gensource is anticipated to own the remaining 67% through its paid-in capital (i.e., the value of Tugaske Project assets assigned to KClean) and cash equity investments.

On August 27, 2021, KClean entered into an unsecured loan agreement with Helm (the "Helm credit facility") for expenses in connection with the Tugaske Project development. The Helm credit facility bears interest at a rate of 2.5% per annum, payable in arrears on the maturity date, which will be August 31, 2024 (note 9).

On September 23, 2021, the Company received commitment letters from its two mandated joint lead debt arrangers, KfW IPEX-Bank and Societe Generale (together, the "Mandated Lead Arrangers"), to provide a senior secured debt facility for a total of up to \$280 million. See note 18.

# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 4. Exploration and evaluation assets (continued)

#### The Tugaske Project (continued)

Cost	Lazlo <sup>(1)</sup>	Vanguard Area <sup>(2)</sup>	Tugaske	Total
<b>Balance, December 31, 2019</b>	\$ 834,260	\$ 8,236,015	\$ -	\$ 9,070,275
Additions:				
Property acquisition and surface access fees	7,363	-	378,628	385,991
Geological and project management	-	-	498,713	498,713
Engineering	-	-	976,668	976,668
Drilling	-	-	41,017	41,017
Environmental	-	-	36,166	36,166
Technical reports/feasibility analysis	-	-	2,280,350	2,280,350
Transfer to Tugaske <sup>(3)</sup>	-	(5,762,196)	5,762,196	-
<b>Balance, December 31, 2020</b>	\$ 841,623	\$ 2,473,819	\$ 9,973,738	\$ 13,289,180
Additions:				
Property acquisition and surface access fees	6,725	357,735	235,215	599,675
Geological and project management	-	-	912,896	912,896
Engineering	-	-	450,299	450,299
Drilling	-	-	23,511	23,511
Environmental	-	1,001	6,066	7,067
Technical reports/feasibility analysis	-	-	1,206,135	1,206,135
Transfer to property, plant and equipment under construction <sup>(4)</sup>	-	-	(12,807,860)	(12,807,860)
<b>Balance, December 31, 2021</b>	\$ 848,348	\$ 2,832,555	\$ -	\$ 3,680,903

1) Lazlo costs includes geological and freehold mineral lease costs.

2) Vanguard Area costs includes government mining leases and freehold mineral lease cost of the remaining Vanguard Area.

3) Direct costs re-allocated from the Vanguard Area project to the Tugaske Project

4) The Company's Tugaske Project entered into mine development effective October 2021 when the technical and commercial feasibility of the mine was met. As a result, all costs that were capitalized to the Tugaske Project have been transferred to property, plant and equipment under construction amounting to \$12,807,860.

**Gensource Potash Corporation**  
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**5. Property, plant and equipment**

**Cost**

	Office equipment \$	Leasehold improvements \$	Development costs not subject to depreciation \$	Total \$
<b>Balance, December 31, 2019</b>	212,587	95,853	-	308,440
Additions	7,776	-	-	7,776
<b>Balance, December 31, 2020</b>	220,363	95,853	-	316,216
Additions	7,378	-	-	7,378
Transfer from exploration and evaluation assets (note 4)	-	-	12,807,860	12,807,860
<b>Balance, December 31, 2021</b>	227,741	95,853	12,807,860	13,131,454

**Accumulated depreciation**

	Office equipment \$	Leasehold improvements \$	Development costs not subject to depreciation \$	Total \$
<b>Balance, December 31, 2019</b>	201,859	95,853	-	297,712
Depreciation for the year	3,954	-	-	3,954
<b>Balance, December 31, 2020</b>	205,813	95,853	-	301,666
Depreciation for the year	4,343	-	-	4,343
<b>Balance, December 31, 2021</b>	210,156	95,853	-	306,009

**Carrying amount**

	Office equipment \$	Leasehold improvements \$	Development costs not subject to depreciation \$	Total \$
<b>At December 31, 2020</b>	14,550	-	-	14,550
<b>At December 31, 2021</b>	17,585	-	12,807,860	12,825,445

**Gensource Potash Corporation**  
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**6. Right-of-use assets**

	Property	Equipment	Total
<b>Balance, December 31, 2019</b>	<b>\$ 93,655</b>	<b>\$ 5,996</b>	<b>\$ 99,651</b>
Depreciation	(53,516)	(1,846)	(55,362)
<b>Balance, December 31, 2020</b>	<b>\$ 40,139</b>	<b>\$ 4,150</b>	<b>\$ 44,289</b>
Additions	152,308	-	152,308
Depreciation	(48,954)	(1,844)	(50,798)
Modification to lease term	(17,839)	-	(17,839)
<b>Balance, December 31, 2021</b>	<b>\$ 125,654</b>	<b>\$ 2,306</b>	<b>\$ 127,960</b>

During the year ended December 31, 2021, the Company extended its current lease for 3 years from September 30, 2021 to September 30, 2024. Subsequently, the Right-of-use asset and lease liability was treated as a modification under IFRS 16 and a new Right-of-use asset and lease liability was recognized for the new remaining period. The weighted average incremental borrowing rate applied to the lease liability was 10%.

**7. Lease liabilities**

	Property	Equipment	Total
<b>Balance, December 31, 2019</b>	<b>\$ 105,273</b>	<b>\$ 8,233</b>	<b>\$ 113,506</b>
Interest expense	16,654	3,407	20,061
Lease payments	(72,151)	(4,788)	(76,939)
<b>Balance, December 31, 2020</b>	<b>\$ 49,776</b>	<b>\$ 6,852</b>	<b>\$ 56,628</b>
Additions	152,308	-	152,308
Interest expense	20,589	2,589	23,178
Modification to lease term	(23,051)	-	(23,051)
Lease payments	(69,013)	(4,789)	(73,802)
<b>Balance, December 31, 2021</b>	<b>\$ 130,609</b>	<b>\$ 4,652</b>	<b>\$ 135,261</b>

	Under 1 year	Between 1 - 2 years	Between 3 - 5 years	Over 5 years	Total
Property	\$ 36,698	\$ 48,502	\$ 45,409	\$ -	\$ 130,609
Equipment	3,483	1,169	-	-	4,652
<b>Total</b>	<b>\$ 40,181</b>	<b>\$ 49,671</b>	<b>\$ 45,409</b>	<b>\$ -</b>	<b>\$ 135,261</b>

**8. Convertible debt**

On October 19, 2021, the Company has completed a non-brokered private placement offering of \$2,000,000 principal amount of 5% convertible redeemable unsecured debentures of the Company ("Debentures") at a price of \$1,000 per Debenture. The Debentures bear interest at a rate of 5% per annum from the date of issue, payable in arrears on the maturity date of the Debentures, which will be June 30, 2023 (the "Maturity Date"). The principal amount of each Debenture is convertible, in whole or in part, for no additional consideration, into common shares of the Company ("Common Shares") at the option of the holder at any time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the Debentures, at a conversion price equal to \$0.34 per Common Share. All directors and officers of the Company participated in the Offering, purchasing a total of \$1,985,000 principal amount of the Debentures. The Company incurred transaction cash costs of \$19,587.

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**8. Convertible debt (continued)**

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 7.3%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity conversion feature of the convertible debentures comprise the value of the conversion option, being the difference between the face value of the convertible debentures and the liability element calculated above. Based on this calculation, the liability component was \$1,926,757 (\$1,907,887 net of transaction costs) and the residual equity component was \$72,526.

The following table summarizes the debt component of the debenture.

	<b>Total</b>
<b>As at December 31, 2020</b>	<b>\$ -</b>
Issuance of debenture	2,000,000
Less transaction costs	(19,587)
Less equity component	(72,526)
Accretion expense	29,149
<b>Balance, December 31, 2021</b>	<b>\$ 1,937,036</b>

**9. Helm credit facility**

On August 27, 2021, KClean entered into an unsecured loan agreement with Helm (the "Helm credit facility") for development costs in connection with the Tugaske Project. The Helm credit facility bear interest at a rate of 2.5% per annum, payable in arrears on the maturity date, which will be August 31, 2024. On October 19, 2021, KClean Potash received a \$1,000,000 draw against the unsecured \$5,000,000 HELM credit facility.

The Helm credit facility is summarized as follows for the year ended December 31, 2021:

	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
Draw against credit facility	<b>\$ 1,000,000</b>	\$ -
Accrued interest	<b>5,000</b>	-
	<b>\$ 1,005,000</b>	\$ -

**10. Share capital**

a) Authorized share capital

The Company is authorized to issue an unlimited number of voting and participating common shares. The common shares have no par value and are fully paid.

b) Common shares

At December 31, 2021, the Company had 420,488,995 common shares (December 31, 2020 – 384,232,935) issued and outstanding.

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**10. Share capital (continued)**

b) Common shares (continued)

i) On February 12, 2021, the Company has completed a non-brokered private placement financing of 29,032,123 common shares at \$0.18 per common shares of the Company for gross proceeds of \$5,225,782. The Company paid commissions to certain finders consisting of cash payments of \$251,490 and the issuance of 1,397,165 broker warrants exercisable into common shares at \$0.18 per broker's warrant for a period of 36 months following and paid legal and other fees of \$37,966. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.23%;
- Expected life: 3 years;
- Expected volatility: 85% based on historical 3 years trends; and
- Weighted average share price: \$0.22.

c) Warrants

The Company has the following warrants outstanding as a result of equity issues for the years presented.

	Number of warrants	Weighted average exercise price (\$)	
<b>Balance, December 31, 2019</b>	<b>624,332</b>	<b>0.12</b>	
Expired	(624,332)	(0.12)	
<b>Balance, December 31, 2020</b>	<b>-</b>	<b>-</b>	
Issued	1,397,165	0.18	
Exercised	(23,937)	(0.18)	
<b>Balance, December 31, 2021</b>	<b>1,373,228</b>	<b>0.18</b>	
Issue date	Expiry date	Exercise price	Number of warrants
February 12, 2021	February 12, 2024	\$0.18	1,373,228

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**11. Stock options**

Stock option transactions for the years presented are as follows:

	Number of stock options	Weighted average exercise price (\$)
<b>Balance, December 31, 2019</b>	<b>31,648,859</b>	<b>0.12</b>
Granted <sup>(1)(2)(3)(4)</sup>	4,300,000	0.16
Expired/forfeited	(948,859)	(0.07)
Exercised	(1,400,000)	(0.08)
<b>Balance, December 31, 2020</b>	<b>33,600,000</b>	<b>0.12</b>
Granted <sup>(5)(6)(7)</sup>	8,100,000	0.22
Expired/forfeited	(1,000,000)	(0.14)
Exercised	(7,200,000)	(0.09)
<b>Balance, December 31, 2021</b>	<b>33,500,000</b>	<b>0.16</b>

The weighted average grant date fair value of options granted during the year ended December 31, 2021 was \$0.15 (December 31, 2020 - \$0.07).

<sup>(1)</sup> On February 10, 2020, the Company granted an aggregate of 300,000 stock options to consultant at an exercise price of \$0.11 per share, exercisable for a period of 5 years. The options vest: 75,000 immediately; 75,000 on May 10, 2020; 75,000 on August 10, 2020; and 75,000 on November 10, 2020. The estimated fair value of these options at the grant date was \$26,100 using the Black-Scholes valuation model. During the year ended December 31, 2021, \$nil (year ended December 31, 2020 - \$26,100) 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: 1.31%;
- Expected life: 5.0 years;
- Expected volatility: 110% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.11.

<sup>(2)</sup> On April 1, 2020, the Company granted an aggregate of 1,000,000 stock options to a director of the Company at an exercise price of \$0.085 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$67,800 using the Black-Scholes valuation model. During the year ended December 31, 2021, \$nil (year ended December 31, 2020, \$67,800) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.55%;
- Expected life: 5.0 years;
- Expected volatility: 113% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.085.



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**11. Stock options (continued)**

(3) On June 3, 2020, the Company granted an aggregate of 500,000 stock options to a consultant of the Company at an exercise price of \$0.095 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$39,000 using the Black-Scholes valuation model. During the year ended December 31, 2021 \$nil (year ended December 31, 2020, \$39,000) 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: 0.48%;
- Expected life: 5.0 years;
- Expected volatility: 108% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.095.

(4) On December 31, 2020, the Company granted an aggregate of 2,500,000 stock options to a consultant at an exercise price of \$0.205 per share, exercisable for a period of 5 years. The options vest on April 1, 2021. The estimated fair value of these options at the grant date was \$376,500 using the Black-Scholes valuation model. During the year ended December 31, 2021, \$376,500 (year ended December 31, 2020, \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.39%;
- Expected life: 5.0 years;
- Expected volatility: 99% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.205.

(5) On April 21, 2021, the Company granted an aggregate of 1,000,000 stock options to a director of the Company at an exercise price of \$0.21 per share, exercisable for a period of 5 years. The options vested immediately. 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, 2021 \$150,000 (year ended December 31, 2020, \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.94%;
- Expected life: 5.0 years;
- Expected volatility: 94% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.21.

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**Gensource Potash Corporation**  
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**11. Stock options (continued)**

(6) On July 16, 2021, the Company granted an aggregate of 5,750,000 stock options to a directors, officers, consultants and employee of the Company at an exercise price of \$0.215 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$860,800 using the Black-Scholes valuation model. During the year ended December 31, 2021 \$860,800 (year ended December 31, 2020, \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.87%;
- Expected life: 5.0 years;
- Expected volatility: 91% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.215.

(7) On August 3, 2021, the Company granted an aggregate of 1,350,000 stock options to a directors and officer of the Company at an exercise price of \$0.22 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$206,100 using the Black-Scholes valuation model. During the year ended December 31, 2021 \$206,100 (year ended December 31, 2020, \$nil) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 0.75%;
- Expected life: 5.0 years;
- Expected volatility: 90% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.225.

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**11. Stock options (continued)**

The following table reflects the stock options issued and outstanding as of December 31, 2021:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of options outstanding</b>	<b>Number of options vested (exercisable)</b>	<b>Number of options unvested</b>
February 20, 2022	0.13	0.14	3,500,000	3,500,000	-
February 20, 2022	0.17	0.14	100,000	100,000	-
April 23, 2022	0.18	0.31	2,500,000	1,000,000	1,500,000
November 13, 2022	0.08	0.87	1,000,000	1,000,000	-
February 1, 2023	0.09	1.09	2,500,000	2,500,000	-
June 13, 2023	0.145	1.45	1,000,000	-	1,000,000
July 18, 2023	0.145	1.54	1,000,000	1,000,000	-
January 31, 2024	0.105	2.08	1,000,000	1,000,000	-
October 23, 2024	0.14	2.81	8,500,000	8,500,000	-
February 9, 2025	0.11	3.11	300,000	300,000	-
March 31, 2025	0.085	3.25	1,000,000	1,000,000	-
June 3, 2025	0.095	3.42	500,000	500,000	-
December 30, 2025	0.205	4.00	2,500,000	2,500,000	-
April 20, 2026	0.21	4.30	1,000,000	1,000,000	-
July 15, 2026	0.215	4.54	5,750,000	5,750,000	-
August 3, 2026	0.22	4.59	1,350,000	1,350,000	-
	<b>0.16</b>	<b>2.59</b>	<b>33,500,000</b>	<b>31,000,000</b>	<b>2,500,000</b>

**12. Net (loss) per common share**

The calculation of basic and diluted loss per share for the year ended December 31, 2021 was based on the loss attributable to common shareholders of \$4,878,220, (year ended December 31, 2020 – net loss of \$1,002,361) and the weighted average number of common shares outstanding of 412,512,577, (year ended December 31, 2020 – 383,114,356). All outstanding options and warrants were excluded from the calculation of diluted loss per share because their effect was anti-dilutive.

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**13. Income taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2020 – 27%) to the effective tax rate is as follows:

	<b>2021</b>	<b>2020</b>
Loss for the year, before income taxes	<b>\$ (4,878,220)</b>	\$ (1,002,361)
Income tax recovery at statutory rates	<b>\$ (1,317,120)</b>	\$ (270,640)
Increase (decrease) related to:		
Non-deductible expenses	<b>429,810</b>	35,640
Change in tax benefits not recognized	<b>887,310</b>	235,000
Provision for income taxes	<b>\$ -</b>	\$ -

The following table summarizes the components of deferred tax:

	<b>2021</b>	<b>2020</b>
Deferred Tax Assets		
Capital lease obligation	<b>\$ 34,550</b>	\$ 11,960
Share issuance costs	<b>17,000</b>	-
Non-capital tax losses carried forward	<b>1,214,400</b>	1,131,490
Deferred Tax Liabilities		
Resource pools - Mineral Properties	<b>(1,214,400)</b>	(1,131,490)
Convertible Debentures	<b>(17,000)</b>	-
Right to use assets	<b>(34,550)</b>	(11,960)
	<b>\$ -</b>	\$ -

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 because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

	<b>2021</b>	<b>2020</b>
Property, plant and equipment	<b>\$ 16,320</b>	\$ 3,270
Non-capital losses carried forward	<b>20,994,950</b>	18,105,170
Marketable securities	<b>234,490</b>	239,450
Net capital losses carried forward	<b>102,280</b>	102,280
Share issuance costs	<b>302,260</b>	367,780
Capital lease obligation	<b>7,300</b>	12,340
Charitable donations carry forward	<b>1,610</b>	1,400

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 2023. The remaining deductible temporary differences may be carried forward indefinitely.

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

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**13. Income taxes (continued)**

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

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2030	\$	446,500
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		2,828,310
2039		1,832,770
2040		1,209,410
2041		3,571,760

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	\$	20,994,960
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**14. General and administrative**

	Years Ended December 31,	
	2021	2020
Wages and incentive compensation (note 15)	\$ 345,026	\$ 126,072
Marketing and promotion	173,513	105,351
Professional fees (note 15)	320,912	294,929
AIM listing costs	1,894,018	-
Office and general	479,135	434,746

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	\$ 3,212,604	\$ 961,098
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**Gensource Potash Corporation**  
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**15. Related party balances and transactions**

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

(a) The Company entered into the following transactions with related parties:

		Year Ended December 31,	
		2021	2020
Rob Theoret	(i)	\$ 279,163	\$ 180,000
101188810 Saskatchewan Ltd	(ii)	279,167	180,000

- i) Compensation to the VP Finance and Business Development. For the year ended December 31, 2021, 47% is included in exploration and evaluation and 53% in general and administrative expenses (year ended December 31, 2020 – 56% and 44%, respectively). During the year ended December 31, 2021, the VP Finance and Business Development, received an advance of \$60,000 in the form of a promissory note and the amount was repaid in full during the year ended December 31, 2021.
- ii) Controlled by VP, Corporate Services. For the year ended December 31, 2021, 14% is included in exploration and evaluation and 86% in general and administrative expenses (year ended December 31, 2020 – 25% and 75%, respectively). During the year ended December 31, 2021, 101188810 Saskatchewan Ltd. received an advance of \$60,000 in the form of a promissory note and the amount was repaid in full during the year ended December 31, 2021.

(b) Remuneration of directors and key management personnel, other than consulting fees as disclosed above, of the Company was as follows:

		Year Ended December 31,	
		2021	2020
Salaries	(i)	\$ 685,000	\$ 300,000
Stock-based compensation		1,481,120	67,800

- (i) For the year ended December 31, 2021 – 52% is included in exploration and evaluation and 48% general and administrative expenses (year ended December 31, 2020 – 78% and 22% respectively).
- (ii) In October 2021, directors and officers of the Company purchased \$1,985,000 of Convertible Debentures (note 8). During the year ended December 31, 2021, the Company expensed \$19,850 in interest on the convertible debentures (year ended December 31, 2020 - \$nil).

The directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services.

c) To the knowledge of the directors and executive officers of the Company as of December 31, 2021, the common shares of the Company were widely held, which includes various 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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# Gensource Potash Corporation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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#### 16. Financial risk management

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

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

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

Accounts payable and accrued liabilities, convertible debentures, and the Helm credit facility are classified as other financial liabilities, which are also measured at amortized cost.

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, 2021. The Company's cash is deposited with a major Canadian chartered bank and is held in highly-liquid investments.

As at December 31, 2021, the aggregate gross credit risk exposure related to cash was \$1,712,079 (December 31, 2020 – \$748,946), 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, 2021, the aggregate gross credit risk exposure related to receivables was \$143,433 (December 31, 2020 – \$37,189) 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. The Company manages liquidity risk through the management of its capital structure. As at December 31, 2021, the Company had a total of \$1,712,079 in cash and \$11,273 in investments to settle current liabilities of \$318,771.

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 its planned exploration activities for at least the next twelve months (see note 1). The Company anticipates to complete additional financing to improve its liquidity.

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**16. Financial risk management (continued)**

*Liquidity risk (continued)*

The following table consists of accounts payable and accrued liabilities, lease payments, convertible debentures, the Helm credit facility, and sets out contractual maturities (representing undiscounted contractual cash flows) of the financial liabilities outstanding at December 31, 2021:

	2022	2023	2024	2025	Total
Accounts payable & accrued liabilities	\$ 278,590	\$ -	\$ -	\$ -	\$ 278,590
Lease payments	65,175	64,721	49,408	-	179,304
Convertible debentures	-	2,169,589	-	-	2,169,589
Helm credit facility	-	-	1,080,068	-	1,080,068
	<b>\$ 343,765</b>	<b>\$ 2,234,310</b>	<b>\$ 1,129,476</b>	<b>\$ -</b>	<b>\$ 3,707,551</b>

The contractual maturities of commitments at year end are included in (note 18).

*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 has exposure to foreign currency risk on its US currency held in the bank. As at December 31, 2021, the Company held US\$9,072 of monetary assets. A 5% fluctuation in the value of the Canadian dollar would result in an increase or decrease to profit or loss of approximately \$453. The Company mitigates the risk of foreign currency fluctuations by converting US currency to Canadian dollars when required to fund expenditures. The Company does not currently hedge its foreign exchange risk.

*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.



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**16. Financial risk management (continued)**

**Fair value hierarchy**

<b>Cash and investments</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
December 31, 2021	\$ 1,723,352	\$ -	\$ -	\$ 1,723,352
December 31, 2020	\$ 755,251	\$ -	\$ -	\$ 755,251

**17. 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.

At December 31, 2021, 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.

**18. Commitments and contingencies**

i) 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.

ii) The Company is party to management agreements which require that additional payments to be made upon the occurrence of change of control of 12 months of the consulting fee. As the triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

iii) In addition to the risks disclosed in the Company's consolidated financial statements for the fiscal year ended December 31, 2021, on June 4, 2021, a statement of claim was filed against the Company, its CEO and HELM AG by Frank Eberhardt, Carl F Peters GmbH & Co., both of Hamburg Germany, and 11664735 Canada Ltd., a Canadian company beneficially owned by Frank Eberhardt. The claim alleged, among other things, that Gensource and HELM AG wrongfully excluded Mr. Eberhardt from investing in the Tugaske Project and sought to confer upon the plaintiffs the right to invest in and be part of the Tugaske Project and/or damages from the defendants. On February 14, 2022, the Company, HELM and Michael Ferguson (CEO) have entered into a mutual release and settlement agreement dated February 11, 2022 (see note 19).

iv) Senior debt facility

The Company has received a binding commitment letter from its two Mandated Lead Arrangers, KfW IPEX Bank and Societe Generale, following successful risk approvals and credit approvals within each organization. The commitment letter is based on an agreed and binding term sheet for the Debt Facility and is divided into two tranches, Tranche A and Tranche B.

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**18. Commitments and contingencies (continued)**

iv) *Senior debt facility* (continued)

*Tranche A facility – \$140 million*

- Term of 11.5 years;
- Interest base rate of 3-month Canadian dollar offered rate (“CDOR”) plus respective margin;
- Purpose is to fund key equipment and service provider contracts with German suppliers which are eligible for export credit cover;
- Export credit guarantee issued by Euler Hermes;
- Interest capitalized during construction;
- Fully amortizing loan facility, early repayment permitted without penalty, upon notice;
- Subject to standard bank fees.

*Tranche B facility – CAD \$140 million*

- Term of 10.5 years
- Interest base rate of 3-month CDOR plus respective margin;
- Purpose is to fund the remaining capital spend as identified in the detailed capital cost estimate;
- Interest capitalized during construction;
- Fully amortizing term loan facility, early repayment permitted without penalty, upon notice;
- Subject to standard bank fees.

**19. Subsequent events**

- i) On January 31, 2022, KClean received a \$1,000,000 draw against the unsecured HELM \$5,000,000 credit facility.
- ii) On February 14, 2022, 500,000 Options were exercised at a price of \$0.18 per Common Share and 100,000 Options were exercised at a price of \$0.17 per Common Share for aggregate proceeds of \$107,000.
- iii) On February 14, 2022, the Company, HELM and Michael Ferguson (collectively, the “Defendants”) have entered into a mutual release and settlement agreement dated February 11, 2022 (the “Settlement Agreement”) with Frank Eberhardt, Carl F Peters GmbH & Co. and 11664735 Canada Ltd. (collectively, the “Plaintiffs”) with regards to the statement of claim filed by the Plaintiffs against the Defendants (the “Action”) (see note 18).