



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2021

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the consolidated operations of Gensource Potash Corporation and its subsidiary, KClean Potash Corporation, (the "Company" or "Gensource") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended December 31, 2021 and December 31, 2020, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Information contained herein is presented as of March 28, 2022, unless otherwise indicated.

The following 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 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](http://www.sedar.com).

## **Summary of Key Activities During the Year**

The main focus of the Company continues to be the advancement of its first project, the Tugaske Project ("Tugaske" or the "Project") through the final financing stages into construction. That process continues with negotiations underway with several "keystone" investment groups, who, when negotiations and definitive agreements are complete, will set the structure for the remainder of the financing required for Tugaske.

However, the Company's larger business plan involves several growth pathways. One pathway is the expansion of its first project with its partner, HELM AG, as agreed between the parties and as the market is prepared. Secondly, Gensource is laying plans for replicating its business model with other partners serving other non-competing markets. The third pathway to growth for the Company is to take its technology "on the road": to deploy its specialized, efficient and environmentally sustainable techniques and technology in other known potash deposits around the world, closer to consuming markets.

To prepare the path to growth, in December 2021, Gensource acquired an additional potash exploration permit immediately adjacent to its Vanguard area. Adding Saskatchewan Permit to Explore for Subsurface Minerals, SMP200 ("**SMP200**"), to the Vanguard Area, provides an additional 7,244 hectares (almost 18,000 acres) of prospective minerals. What Gensource calls the Vanguard Area now comprises leases KL244, KL245 and SMP200. The area is so named because Gensource believes its approach to potash production and marketing of the product to be at the forefront of a change sweeping the industry – in fact, Gensource is a driver of that change. SMP200 is so close to existing Gensource-drilled wells, that a significant portion of the data from those existing wells will be applicable to the minerals contained within SMP200, making resource confirmation in SMP200 much more cost- and time-efficient. Further development work for SMP200 will be announced as

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it is defined and approved. Gensource continues discussions towards agreements to advance additional projects with several parties interested in Gensource's vertically integrated business plan and direct marketing structure.

Other highlights of Q4 2021 and the year ending December 31, 2021 are (some repeating from previous MD&A filings in 2021):

- The Company acquired SMP200 from the Saskatchewan Government on December 21, 2021.
- The Company continued negotiations with cornerstone investors towards completing the final equity financing for the Tugaske Project.
- The Company announced that admission to trading (the "Admission") on the AIM Market of the London Stock Exchange ("AIM") commenced, at 08:00 GMT November 5, 2021. Trading continues under the symbol (formally the TIDM code) GSP, the same as its TSX Venture Exchange ("TSXV") symbol. With respect to the AIM listing, Strand Hanson is acting as Nominated Adviser to the Company and Peel Hunt is acting as Broker to the Company. (See news release dated November 5, 2021).
- The Company's Tugaske Project entered into mine development effective October 14, 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.
- The Company completed a non-brokered private placement offering of \$2,000,000 principal amount of 5% convertible redeemable unsecured debentures of the Company at a price of \$1,000 per debenture. All directors and officers of the Company participated in the Offering, purchasing a total of \$1,985,000 principal amount of Debentures (the remaining amounts were purchased by other employees of the Company). (See news release dated October 19, 2021).
- The Company announced the filing of an updated National Instrument 43-101 Technical Report, summarizing the Tugaske Project. (See news release dated October 19, 2021).
- The Company received conditional binding commitment letters from its two mandated joint lead debt arrangers, KfW IPEX-Bank and Société Générale, following successful risk approvals and credit approvals within each organization. The commitment letters provide for a senior secured debt facility in the amount of up to \$280 million. The Debt Facility is intended to fund, in part, the construction and ramp up of the Company's Tugaske potash development project. The senior debt commitment is based on an agreed to, and binding, term sheet for the Debt Facility. (See news release dated September 23, 2021).
- The Company incorporated a subsidiary company, KClean Potash Corporation ("KClean"). KClean will be the special purpose vehicle that will receive project assets from Gensource, equity investments from Gensource and HELM AG and receive senior debt financing from the senior lenders.
- The Company's subsidiary company, KClean, entered into an unsecured \$5,000,000 loan agreement with HELM (the "HELM credit facility") August 27, 2021 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.
- Additional work was completed on the project to support the AIM listing process, specifically the creation of a Competent Person Report (similar in content and structure to an NI 43-101 Technical Report), which was published along with the AIM listing document.
- The Company announced the appointment of Alton Anderson and Stephen Dyer to its Board of Directors, effective April 21, 2021. (See news release dated April 21, 2021).
- The definitive off-take agreement between Gensource and HELM Fertilizer USA was completed and executed. (See news release dated May 12, 2021).
- The Company announced the completion of a National Instrument (NI) 43-101 Technical Report. (See news release dated March 22, 2021).
- The terms of the shareholder agreement between HELM Fertilizers and Gensource have been agreed upon and will be executed as the project advances. Current project company setup work is focused on several sub-agreements to the shareholder agreement.
- The Company completed a non-brokered private placement financing for gross proceeds of \$5,225,782.14. (See news release dated February 12, 2021).

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**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 December 31, 2022.	The operating and exploration activities of the Company for the twelve-month period ending December 31, 2022, 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.

Forward-looking statements	Assumptions	Risk factors
<p>The Company's ability to carry out anticipated exploration on its property interests.</p>	<p>The exploration activities of the Company for the twelve-month period ending December 31, 2022 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.</p>	<p>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.</p>
<p>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.</p>	<p>Financing will be available for Gensource's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Gensource; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions will be favourable to Gensource; the price of potash will be favourable to Gensource; no title disputes exist with respect to Gensource's properties.</p>	<p>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.</p>
<p>Management's outlook regarding future trends.</p>	<p>Financing will be available for Gensource's exploration and operating activities; the price of potash will be favourable to Gensource.</p>	<p>Potash price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions.</p>

Sensitivity analysis of financial instruments.	The aggregate gross credit risk exposure related to cash at December 31, 2021, was \$1,712,079 (December 31, 2020- \$748,946), 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.
Prices and price volatility for potash.	The price of potash will be favourable; debt and equity markets, interest and exchange rates and other economic factors which may impact the price of potash will be favourable.	Changes in debt and equity markets and the spot price of potash; interest rate and exchange rate fluctuations; changes in economic and political conditions.

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond Gensource’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section above. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this 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 Potash is a fertilizer development company based in Saskatoon, Saskatchewan and is on track to become the next fertilizer production company in that province. With a small scale and an environmentally leading approach to potash production, Gensource believes its technical and business model will be the future of the industry. Gensource operates under a business plan that has two key components: (1) vertical integration with the market to ensure that all production capacity built is directed, and pre-sold, to a specific market, eliminating market-side risk; and (2) technical innovation which will allow for a small and economic potash production facility, that demonstrates environmental leadership within the industry, producing no salt tailings, therefore eliminating decommissioning risk, and requiring no surface brine ponds, thereby removing the single largest negative environmental aspect of potash mining.

Its registered head office is located at Peterson McVicar, 18 King Street, Suite 902, Toronto, Ontario, M5C1C4.

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## **Exploration & Evaluation**

The Vanguard Area is located in South-Central Saskatchewan and surrounds the Villages of Tugaske and Eyebrow in the Rural Municipality ("R.M.") of Huron No.223 and R.M. of Eyebrow No.193, respectively - comprising two Government of Saskatchewan potash mineral leases, KL244 and KL245 and the recently added exploration permit SMP200, all 100% owned by Gensource.

### Historical information on the development of the Vanguard Area:

- To date, Gensource has completed the following six (6) National Instrument (NI) 43-101 Technical Reports for the Vanguard Area, which are all available on SEDAR ([www.sedar.com](http://www.sedar.com)):
  - an initial Resource NI 43-101 Report, dated April 22, 2016, which defined Inferred Mineral Resource and Exploration Targets on the property based on geological work completed: *Technical Report for the Acquisition of Potash Dispositions KP 363 & KP 483, Saskatchewan* (Fourie, 2016).
  - a Preliminary Economic Assessment (PEA) NI 43-101 dated July 15, 2016. This work indicated a financially attractive and viable project and contained recommendations to proceed with further geological work, as well as a feasibility study: *Technical Report – Preliminary Economic Assessment for the Vanguard Project* (Fourie et al., 2016).
  - an updated NI 43-101 Resource Report, issued on March 15, 2017, which defined a Mineral Resource in the Indicated and Inferred categories: *Technical Report for the Updated Resource on the Vanguard Potash Project, Saskatchewan* (Fourie, 2017).
  - an NI 43-101 Technical Report, issued on February 23, 2018, summarizing the Feasibility Study for the Vanguard One Project, complete with Reserve and Resource updates – confirming the technical and economic feasibility of the Project: *Technical Report Summarizing the Feasibility Study for the Vanguard One Potash Project, Saskatchewan* (Fourie et al., 2018).
  - an NI 43-101 Technical Report, issued on March 8, 2021, summarizing the Tugaske Project Feasibility Study and Front-End Engineering Design ("FEED") work, both completed by Gensource in 2020: *Technical Report Summarizing the Tugaske Project, Saskatchewan* (Fourie et al., 2021).
  - an NI 43-101 Technical Report, dated October 14, 2021, updated to reflect the most current financial information resulting from the project financing process, as well as correction to the base case Mineral Resource and Mineral Reserve numbers previously reported based on a discrepancy found in the March 2021 NI 43-101 Technical Report. See: *Technical Report Summarizing the Tugaske Project, Saskatchewan* (Fourie et al., October 2021).
- Since acquiring the property from Yancoal in 2016, including converting the potash permits to potash leases, Gensource has successfully completed exploration drilling of four (4) wells in its 100% owned Vanguard Area, spanning from 2016 to 2019 - complete with core recovery, geological assays, and geophysical (wireline) data collection. A summary of these 4 wells, in chronological order, is provided in the table below. These wells furthered Gensource's definition of the Prairie Evaporite formation in the Vanguard Area and supported the completion of several NI 43-101 Technical Reports – serving as inputs into the Resource and Reserve.

*Table 1 - Gensource Vanguard Area Exploration Wells*

Unique Well ID (UWI)	Abbreviation	Date Spudded	Date Rig Released
101/01-16-022-02W3/00	V-1-16	21-Nov-2016	12-Dec-2016
102/01-14-022-02W3/00	V-1-14	13-Dec-2016	03-Jan-2017
101/04-01-022-02W3/00	V-4-1	17-Oct-2018	01-Nov-2018
102/08-04-022-02W3/00	V-8-4	23-Nov-2019	13-Dec-2019

- In February 2017, Gensource engaged RPS Energy Ltd, to complete a 3D seismic program in the Vanguard Area. The 3D seismic area focused on a portion of KL 245 only, which was selected to be as focused as possible to define the Resource & Reserve to the extent necessary, while being large enough to provide many options in terms of the selection of the potential mining area. Overall, the 3D seismic program covered an area of 34.37 square kilometres (13.27 square miles).
- Gensource has also advanced the engineering and design efforts for its vertically integrated, small-scale, potash production facilities, referred to as “modules”, in the Vanguard Area. The following efforts have allowed Gensource to advance specific projects towards implementation:
  - Gensource completed a detailed Feasibility Study for a module in the Vanguard Area, which was being referred to at the time as the “Vanguard One Project”. Gensource announced the results of the Vanguard One Project Feasibility Study in a news release dated May 31, 2017. The detailed Vanguard One Project Feasibility Report (Engcomp, 2017) was subsequently summarized and disclosed in the NI43-101 Technical Report (Fourie et al., 2018).
  - In a 2018 news release, Gensource announced it entered into a non-binding Memoranda of Understanding (MOU) with a long-term leader in the North American agricultural industry (the “Off-taker”) which formalized the interests of the Off-taker to potentially purchase 100% of the planned 250,000 tonnes/year production from one of Gensource’s modules.
  - As per a news release on May 21, 2019, Gensource announced it had entered into non-binding MOU to form a joint venture (JV) special purpose vehicle (SPV) to develop the Tugaske Project. In a subsequent news release dated January 30, 2020, Gensource officially announced HELM AG and its North American subsidiary, HELM Fertilizer Corp (together “HELM”) as the Tugaske Project’s Offtaker. The Tugaske Project module is a minor modification to the Vanguard One Project module, as specific design elements were adjusted to suit requirements of the intended potash market. Since the intent of the Tugaske Project (and its ownership partners) is to direct the pre-sold product from the Tugaske module to the North American potash market (predominantly in the United States), the Tugaske module has been updated to suit the demands of the North American potash customers. The details for the Tugaske Project are supported by the relevant information developed as part of the Vanguard One Project. A detailed Tugaske Project Feasibility Study Report (Gensource, 2020) was prepared in February 2020, to support project finance due diligence reviews.
  - Concurrent to the project finance due diligence on the Tugaske Project, further Front-End Engineering & Design (FEED) efforts were completed by the project team to not only support due diligence reviews, but to also continue to prepare the Tugaske Project for full execution. The work was completed by Gensource and key members of its integrated team. The efforts during FEED were summarized into the Tugaske Project FEED Report (Gensource, 2020) which was issued to the due diligence reviewers, to supplement the information contained in the Tugaske Project Feasibility Report (Gensource, 2020). Both reports were used by the debt and equity groups under non-disclosure agreements (“NDAs”) and reviewed as part of the debt due diligence process by independent consultants. The NI 43-101 Technical Report (Fourie et al., 2021) summarized the updates made to the Project since disclosing the previous NI 43-101 Technical Report (Fourie et al., 2018).



Current Status Related to the Vanguard Area:

1. Tugaske Project (project under development):

Recent Efforts for the Tugaske Project (as of the date of this MD&A):

- Gensource has formed a Special Purpose Vehicle (SPV), which will finance, construct, and ultimately own and operate the Tugaske Project (the Project). The SPV is a Saskatchewan incorporated private company, named KClean Potash Corporation (KClean). The SPV, currently 100% owned subsidiary of the Company, will be jointly owned in the future by Gensource and HELM AG and its North American subsidiary HELM Fertilizer Corp (together, HELM).
- It is the intent of KClean to enter into an Integrated Form of Agreement (IFOA) as the contractual arrangement supporting the Integrated Project Delivery (IPD) approach to executing the Project, with the lead engineering consultant (Engcomp) and the construction general contractor (South East Construction). Together, KClean, Engcomp, and South East Construction will form the core group of the IPD team, responsible for the realization of the Tugaske Project.
- While the IFOA has not yet been executed (waiting for key project financing milestones to be completed as a pre-requisite) the core group advanced key Project tasks in Q4 2021, which will support ramp-up to full Project execution upon successful financing – anticipated in Q2 2022. The work and services being performed in this phase are being referred to as “Bridge Engineering”. The Bridge Engineering phase is being funded through a “credit agreement” of \$5 million between KClean and HELM.
- Bridge Engineering tasks are mainly focused on advancing engineering and design efforts for the Project, with Engcomp’s local engineering team, as well as collaborating with the consortium of 3 German-based design and fabrication companies: K-UTECH AG Salt Technologies, Koeppern GmbH & Co KG, and Ebner GmbH & Co KG, advancing engineering activities which will drive material and/or equipment orders and fabrication for their design-supply-commission scope of the process plant.
- In addition to engineering and design efforts, the core group is advancing efforts related to procurement and contracting, construction planning, and project management and administration during Bridge Engineering.
- In Q4 2021, to support Gensource’s application for admission to trading on the London Stock Exchange’s AIM Market, which included the completion of a Competent Persons Report (CPR), Gensource filed an updated National Instrument (NI) 43-101 Technical Report (the “Technical Report”), summarizing the Tugaske Project (Report Date: October 14, 2021). As the CPR was created, a correction to the base case values of both Mineral Resource and Mineral Reserve summary tables was made. This same correction was implemented in the updated NI 43-101 Technical Report to ensure consistency between the two reports. Additionally, Gensource included the latest financing information in both reports, based on the accepted base case financial model agreed with the Company’s senior lenders. The Technical Report is publicly available on [www.sedar.com](http://www.sedar.com).

2. Vanguard One Project:

- The Vanguard One Project still has an offtake agreement in place, but the Company’s full efforts are focused on the Tugaske Project at this time.

3. Vanguard Area

- Recent Efforts for the Vanguard Area (as of the date of this MD&A) include advancing the Acknowledgement of Reclamation (AOR) process for one of Gensource’s reclaimed exploration wells (102/01-14-022-02W3/00). An application to obtain AOR authorization was submitted in Q1 2022.

Future Plans Related to the Vanguard Area

1. Tugaske Project (project under development):

- The core group for the Tugaske Project will continue advancing the Bridge Engineering phase in 2022, preparing the Project for an efficient ramp-up to full execution (i.e., detailed engineering, procurement, and construction) upon completion of the project financing efforts underway.
- With financing complete, the Project will proceed with execution of major contracts for long-lead/key equipment, materials, and/or services, including the IFOA between KClean, Engcomp, and South East Construction, as well as the main export contracts contemplated under the export credit scheme of Euler-Hermes (which form part of the debt financing provided by the senior lenders).

*Table 2 - Summary of Expenditures*

Summary of Completed Activities (Year ended December 31, 2021)	(A) Spent Vanguard Area	(B) Spent Tugaske	Plans for the Project (Calendar Year 2022)	(B) Planned Expenditures
Property acquisition and surface access fees	\$ 357,735	\$ 235,215	Property acquisition and surface access fees (Vanguard Area)  See Tugaske Project Capital Cost Estimate in Table 3 below for planned expenditures. If full financing proceeds as expected, as much as \$100M could be committed in 2022.	\$ 260,000
Geological and project management	\$ Nil	\$ 912,896		
Engineering	\$ Nil	\$ 450,299		
Drilling	\$ Nil	\$ 23,511		
Technical reports/feasibility study	\$ Nil	\$1,206,135		
Environmental	\$ 1,001	\$ 6,066		
<b>Total</b>	<b>\$ 358,736</b>	<b>\$2,834,122</b>		

**Note to Table:** The planned expenditures identified include the year two capital expenditures planned to execute the Tugaske Project.

The following table shows estimated Expenditures for the Tugaske Project, targeted to move into full execution in 2022, taking approximately 2 years to complete construction and transition the Project to operations. This table is revised to reflect the revisions to the Project, as integrated during FEED.

Table 3 - Tugaske Project Capital Cost Estimate Summary

WBS Area	Area Description	Grand Total Cost (\$CAD)	% of Total
100	Mining	\$ 30,760,003	9%
200	Wellfield	\$ 17,084,230	5%
300	Process Plant	\$ 98,876,130	28%
400	Product Storage and Loadout	\$ 15,783,440	4%
500	Site Infrastructure	\$ 23,528,252	7%
600	Offsites	\$ 7,879,549	2%
700	Non-Process Facilities	\$ 29,929,031	9%
	<b>TOTAL DIRECT COST</b>	<b>\$ 221,840,635</b>	<b>64%</b>
900	Project Indirects	\$ 96,638,548	27%
	<b>TOTAL INDIRECT COSTS</b>	<b>\$ 96,638,548</b>	<b>27%</b>
	<b>TOTAL DIRECT + INDIRECT COSTS</b>	<b>\$ 318,479,183</b>	<b>91%</b>
980	Contingency	\$ 33,597,918	9%
	<b>TOTAL PROVISIONAL COSTS</b>	<b>\$ 33,597,918</b>	<b>9%</b>
	<b>GRAND TOTAL COST</b>	<b>\$ 352,077,101</b>	<b>100%</b>

Table 4 - Tugaske Project Sources & Uses Of Funds

Description	Amount (\$CAD)	Percent of Total
<b>Sources:</b>		
Senior Debt	280,000,000	59.5%
Equity or Equity-like	191,808,801	40.5%
<b>Total Sources:</b>	<b>471,808,801</b>	<b>100%</b>
<b>Uses:</b>		
Capex	318,479,183	67.5%
Project Contingency	33,597,918	7.1%
Cost Overrun Account	40,000,000	8.5%
Banking and Closing Costs	34,880,395	7.4%
Project Value (non-cash)	36,300,000	7.7%
Interest during construction	8,551,305	1.8%
<b>Total Uses:</b>	<b>471,808,801</b>	<b>100%</b>

2. Vanguard One Project
  - No efforts planned.

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3. Vanguard Area:

Gensource will continue with the reclamation requirements for the former exploration drilling well sites. For any well sites that are ready to complete the Government's Acknowledge of Reclamation (AOR) process, such process will be executed with an independent environmental consultant. For the remaining site(s), ongoing revegetation monitoring and management will occur.

Current Status Related to SMP200:

- In Q4 2021, Gensource acquired an additional potash permit area, SMP200, through the Government of Saskatchewan public offering of subsurface Mineral Crown Dispositions S010. SMP200 abuts existing Gensource leases, is approximately 7,244 hectares and represents a direct addition to mineral leases KL244 and KL245 in Gensource's Vanguard Area. SMP200 is located immediately north of KL245 in the R.M. of Huron No.223, which is the location of the Tugaske Project. The acquisition of SMP200 is an exciting opportunity to complete further geological and project development work towards a potential new project.

Future Plans Related to SMP200:

- Gensource will continue to develop strategic plans related to the exploration and development of SMP200, as discussions with prospective partners to advance a new project.

4. Current Efforts Related to the Lazlo Area:

- No significant engineering or geological work was completed for the Lazlo project area during the year ended December 31, 2021, nor is any currently planned, pending completion of work on the Tugaske Project.

Future Plans Related to the Lazlo Area:

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

<b>Summary of Completed Activities (Year Ended December 31, 2021)</b>	<b>(A) Spent</b>	<b>Plans for the Project</b>	<b>(B) Planned Expenditures</b>
Land acquisition and staking	\$6,725	At the date of this MD&A, it is more likely, in the immediate term, for the Company to pursue an initial project in the Vanguard Area and therefore the budgeted expenditures are not included here.	\$10,000
<b>Total</b>	<b>\$6,725</b>		<b>\$10,000</b>

**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

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capital markets could materially affect the future financial performance of the Company. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

Due to the worldwide COVID-19 pandemic, material uncertainties may arise that could influence management's going concern assumption. Management cannot accurately predict the future impact COVID-19 may have on:

- Global potash prices;
- Demand for potash and the ability to explore and develop for potash;
- The severity and the length of potential measures taken by governments to manage the spread of the virus, and their effect on labour availability and supply lines;
- Availability of government supplies, such as water and electricity;
- Purchasing power of the Canadian dollar; and
- Ability to obtain funding.

At the date of this MD&A, the Canadian federal government and the provincial government of Saskatchewan have not introduced measures that have directly impeded the operational activities of the Company. Management believes the business will continue and, accordingly, the current situation has not impacted management's going concern assumption. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

## **Results of Operations**

### **Year Ended December 31, 2021, Compared to Year Ended December 31, 2020**

During the year ended December 31, 2021, the Company had a net loss of \$4,878,220 (year ended December 31, 2020 – loss of \$1,002,361), resulting in an increase of \$3,875,859.

Expenses during the year ended December 31, 2021 were \$4,862,567 (year ended December 31, 2020 \$1,153,314), an increase of \$3,709,253, and is primarily due to Share-based payments of \$1,593,400 during the year ended December 31, 2021, compared to \$132,900 for the year ended December 31, 2020, due to more options issued and vested during the year ended December 31, 2021. General and administrative expenses increased by \$2,251,506 primarily due to wages and incentive compensation and AIM listing costs.

During the year ended December 31, 2021, the Company recorded interest income of \$5,530, (year ended December 31, 2020 – \$9,912), unrealized gain on investments of \$4,968 (year ended December 31, 2020 – unrealized gain \$4,012) and accretion expense of \$52,327 (year ended December 31, 2020 – \$20,061).

During the year ended December 31, 2021, overall general and administrative expenses were \$2,251,506 higher than the comparative period in 2020. The following is a breakdown of general and administrative expenses for the year ended December 31, 2021 and 2020:

<b>Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Wages, benefits and incentive compensation <sup>(1)</sup>	345,026	126,072	(218,954)
Sales and marketing <sup>(2)</sup>	173,513	105,351	(68,162)
Professional fees <sup>(3)</sup>	320,912	294,929	(25,983)
AIM listing costs <sup>(4)</sup>	1,894,018	Nil	(1,894,018)
Office and general <sup>(5)</sup>	479,135	434,746	(44,389)
<b>Total general and administrative expenses</b>	<b>3,212,604</b>	<b>961,098</b>	<b>(2,251,506)</b>

(1) Costs were higher due to increase in salaries expensed.

(2) Costs were higher due to increased marketing costs.

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- (3) Costs were higher due to higher consulting fees.
- (4) Costs were higher due to the admission to the AIM.
- (5) Costs were higher due to non-capitalized direct costs allocated to Tugaske Project as part of the project cost.

**Three Months Ended December 31, 2021, Compared to Three Months Ended December 31, 2020**

During the three months ended December 31, 2021, the Company had a net loss of \$867,347 (three months ended December 31, 2020 – a loss of \$167,638), resulting in an increase of \$699,709.

Expenses during the three months ended December 31, 2021 were \$835,288 (three months ended December 31, 2020 - \$116,222). The increase in expenses of \$719,066 is primarily due to an increase in general and administrative costs due to \$798,930 spent on AIM listing costs for the three months ended December 31, 2021. Wages and incentive compensation were (\$42,668) for the three months ended December 31, 2021 compare to \$23,550 for the three months ended December 31, 2020.

During the three months ended December 31, 2021, the Company recorded accretion expense of \$36,784, (three months ended December 31, 2020 – \$3,896), foreign exchange gain of \$7,890 (three months ended December 31, 2020 – loss of \$47,236) and interest on credit facility of \$5,000 (three months ended December 31, 2020– \$nil).

Assets

Assets were \$19,740,841 at December 31, 2021 (December 31, 2020 - \$14,518,302), an increase of approximately 36%, mainly due to an increase in cash. Exploration and evaluation assets decreased by approximately 72% from December 31, 2020 due to the transition of Tugaske exploration assets to property, plant and equipment. The total amount of exploration and evaluation assets represents approximately 19% of total assets (December 31, 2020 – 92% of total assets). The total amount of property, plant and equipment represents approximately 65% of total assets.

Receivables increased by approximately \$106,244 from December 31, 2020 due to an increase in GST/HST receivable and insurance reimbursement of litigation legal fees incurred. Further, the Company had an increase in prepaid expenses and deposit of approximately \$293,443 and an increase in property, plant and equipment of approximately \$12,810,895 due to the transition of Tugaske exploration assets to property, plant and equipment. At December 31, 2021, the Company had cash of \$1,712,079 (December 31, 2020 - \$748,946), an increase of \$963,133. The Company had Right-to-use assets of \$127,960 (December 31, 2020 - \$44,289) and deferred financing cost of \$935,120 (December 31, 2020 - \$366,658).

Liabilities

At December 31, 2021, current liabilities were \$318,771 (December 31, 2020 - \$530,625). The variation is primarily due to a decrease in amounts payable to vendors due to timing.

At December 31, 2021, non-current liabilities were \$3,037,116 (December 31, 2020 - \$6,851) for the lease liability, convertible debentures and Helm credit facility.

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

Shareholders' equity

At December 31, 2021, shareholders' equity increased by \$2,404,128 which is primarily due to the increase in share capital for the twelve months ended December 31, 2021.

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As at December 31, 2021, the Company had 420,488,995 common shares issued and outstanding and 33,500,000 stock options outstanding, of which 31,000,000 are vested.

Investment portfolio

The Company's investments consist primarily of resource companies whose principal business is exploration and development. During the year ended December 31, 2021, there was no change in ownership of these investments but due to the fluctuation of the fair value of these investments, the Company reported an unrealized gain of \$4,968 (year ended December 31, 2020 – unrealized gain of \$4,012). At December 31, 2021, the market value of the Company's investments was \$11,273 (December 31, 2020 – \$6,305).

**Cash Flow**

For the year ended December 31, 2021, the Company increased its cash position by \$963,133 as a result of net cash generated by financing activities, cash used in operating, and investing as follows:

Cash provided by operations, including changes in non-cash working capital of \$601,946, totaled \$3,784,477 during the year ended December 31, 2021. This was as a result of net loss of \$4,878,220 for the year ended December 31, 2021, adjusted for non-cash transactions including mainly share-based payments of \$1,593,400, depreciation \$55,141 and accretion expense \$52,327.

Cash used in investing activities during the year ended December 31, 2021 totaled \$3,206,961, which mainly consisted of the acquisition and expenditure of exploration and evaluation assets of \$365,461. The expenditure of exploration and evaluation assets cost was for property acquisition, surface access fees and environmental. The Company also paid \$7,378 to purchase equipment and \$2,834,122 for the Tugaske Project development costs. The expenditure of the Tugaske Project development assets cost and was mainly for technical reports/feasibility analysis of \$1,206,135, engineering of \$450,299; property acquisition and surface access fees of \$235,215; geological and project management of \$912,896.

Cash generated by financing activities during the year ended December 31, 2021 totaled \$7,954,571, due to the proceeds from the issuance of convertible debentures of \$1,980,413, cash proceeds from Helm Credit facility of \$1,000,000, proceeds from issuance of shares of \$5,225,782 and the exercise of options of \$675,999, offset by the deferred financing costs paid of \$568,462 and the cost of issuance of shares of \$289,668.

**Selected Annual Information**

The following table sets out selected financial information for the Company as at December 31, 2021, 2020 and 2019 and for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 and should be read in conjunction with the Company's audited consolidated financial statements attached hereto:

Description	Year Ended December 31, 2021 (\$)	Year Ended December 31, 2020 (\$)	Year Ended December 31, 2019 (\$)
Net sales/total revenues	nil	nil	nil
Total net (loss) earnings <sup>(1)(2)</sup>	(4,878,220)	(1,002,361)	(2,724,723)
Net (loss) earnings per common share	(0.01)	(0.00)	(0.01)
Net (loss) earnings per common share on a diluted basis <sup>(3)(4)</sup>	(0.01)	(0.00)	(0.01)
	<b>As at December 31, 2021 (\$)</b>	<b>As at December 31, 2020 (\$)</b>	<b>As at December 31, 2019 (\$)</b>
Total assets	19,740,841	14,518,302	16,814,733
Current liabilities	318,771	530,625	2,014,818
Non-current liabilities	3,037,116	6,851	56,628
Deficit	(31,068,989)	(26,190,769)	(25,188,408)

(1) Loss / earnings from continuing operations attributable to owners of the parent, in total.

(2) Loss / earnings attributable to owners of the parent, in total.

(3) Loss / earnings attributable to owners of the parent, on a per-share and diluted per-share basis; and declared per-share for each class of share; and

(4) Loss from continuing operations attributable to owners of the parent, on a per-share and diluted per share basis.

- The net loss for the year ended December 31, 2021, consisted primarily of (i) general and administrative of \$3,212,604; (ii) share-based payments of \$1,593,400; (iii) depreciation expense of \$55,141; and (iv) accretion expense of \$52,327.
- The net loss for the year ended December 31, 2020, consisted primarily of (i) general and administrative of \$961,098; (ii) share-based payments of \$132,900; (iii) depreciation expense of \$59,316; and (iv) accretion expense of \$20,061.
- The net loss for the year ended December 31, 2019, consisted primarily of (i) general and administrative of \$1,899,752; (ii) share-based payments of \$1,009,305; (iii) depreciation expense of \$58,649. This was offset by flow-through premium obligation discharge of \$267,660 and interest received of \$6,552.
- As the Company has no revenue, its ability to fund its operations is dependent upon securing financing. See "Trends" and "Risks factors".

### **Selected Quarterly Information**

The following table summarizes Gensource's key financial information for the last eight quarters.



Three Months Ended	Total Revenue (\$)	Profit or Loss		Total Assets (\$)
		Total (\$)	Basic and Diluted Loss Per Share <sup>(9)</sup> (\$)	
2021-December 31	-	(867,347) <sup>(1)</sup>	(0.01)	19,740,841
2021-September 30	-	(2,119,954) <sup>(2)</sup>	(0.01)	17,486,147
2021-June 30	-	(1,127,460) <sup>(3)</sup>	(0.00)	18,632,473
2021-March 31	-	(763,459) <sup>(4)</sup>	(0.00)	18,831,912
2020-December 31	-	(167,638) <sup>(5)</sup>	(0.00)	14,518,302
2020-September 30	-	(363,491) <sup>(6)</sup>	(0.01)	14,464,168
2020-June 30	-	(496,543) <sup>(7)</sup>	(0.00)	15,104,679
2020-March 31	-	25,311 <sup>(8)</sup>	(0.00)	15,796,113

Notes:

- (1) Net loss of \$867,347 principally relates to general and administrative expenses of \$822,489 and depreciation of \$13,023. All other expenses related to general working capital purposes
- (2) Net loss of \$2,119,954 principally relates to general and administrative expenses of \$1,033,154; share-based payments of \$1,066,900; and depreciation of \$12,953. All other expenses related to general working capital purposes.
- (3) Net loss of \$1,127,460 principally relates to general and administrative expenses of \$964,468; share-based payments of \$154,137; and depreciation of \$14,256. All other expenses related to general working capital purposes.
- (4) Net loss of \$763,459 principally relates to general and administrative expenses of \$392,493; share-based payments of \$372,363; and depreciation of \$14,909. All other expenses related to general working capital purposes.
- (5) Net loss of \$167,638 principally relates to general and administrative expenses of \$105,873; depreciation of \$14,802; foreign exchange loss of \$47,236. All other expenses related to general working capital purposes.
- (6) Net loss of \$363,491 principally relates to general and administrative expenses of \$270,179; share-based payments of \$9,090; and depreciation of \$14,802. All other expenses related to general working capital purposes.
- (7) Net loss of \$496,543 principally relates to general and administrative expenses of \$205,977; share-based payments of \$115,130; and depreciation of \$14,802. All other expenses related to general working capital purposes.
- (8) Net income of \$25,311 principally relates to general and administrative expenses of \$379,069; share-based payments of \$13,133; depreciation of \$14,910; and offset by foreign exchange gain of \$431,063.
- (9) Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amount.

Factors, such as global market conditions and the general economic environment that have caused variations in the results of the Company over the last eight quarters are discussed below in the "Liquidity and Capital Resources" section.

### 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	December 31, 2021	December 31, 2020
Working capital (\$)	1,852,642	273,000
Working capital ratio (%)	6:8:1	1:5:1

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

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

As at	December 31, 2021(\$)	December 31, 2020 (\$)	Change (\$)
Cash	1,712,079	748,946	963,133
Prepays and deposits	304,628	11,185	293,443
Receivables	143,433	37,189	106,244
Investments	11,273	6,305	4,968

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

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

The final 2022 corporate budget will be allocated as follows (see "Caution Regarding Forward-looking Statements"):

Expenditures	Funds Required
General & administrative budget <sup>(1)</sup>	\$2,838,000
Carrying costs to maintain properties in good standing	\$400,000
Miscellaneous	\$200,000
<b>Total Expenditures</b>	<b>\$3,438,000</b>

<sup>(1)</sup> Salaries and Benefits - \$715,000; Contract Services - \$550,000; Legal and Audit Services - \$400,000; Transfer Agent & Regulatory Fees - \$723,000; and Office and Operating Costs - \$450,000.

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

The Company may be required to raise additional funding in order to continue operations at the current level for the twelve-month period ending December 31, 2022. In the long term, business plans, further exploration of Gensource's potash assets and investing in the development of additional projects will continue to require investment.

### **Off-Balance-Sheet Arrangements**

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

### **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 year ended December 31, 2021, compensation of \$558,330, respectively, (year ended December 31, 2020 - \$360,000) were paid to related companies controlled by the officers of the Company. They were included in general and administrative expenses and exploration and evaluation assets.

	<b>Year Ended December 31, 2021 (\$)</b>	<b>Year Ended December 31, 2020 (\$)</b>
Rob Theoret <sup>(1)</sup>	279,163	180,000
101188810 Saskatchewan Ltd. <sup>(2)</sup>	279,167	180,000
<b>Total</b>	<b>558,330</b>	<b>360,000</b>

<sup>(1)</sup> 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).

<sup>(2)</sup> 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).

Remuneration of directors and key management personnel, other than consulting fees, of the Company was as follows:

	Salaries and director fees		Share based payments		Total	
	Year Ended December 31		Year Ended December 31		Year ended December 31	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
Michael Ferguson, Director and Officer <sup>(a)</sup>	435,000	300,000	224,557	Nil	659,557	300,000
Alton Anderson, Director and Officer <sup>(b)</sup>	250,000	Nil	452,833	Nil	702,833	Nil
Paul Martin, Director	Nil	Nil	Nil	Nil	Nil	Nil
Stephen Dyer, Director	Nil	Nil	203,433	Nil	203,433	Nil
Calvin Redlick, Director	Nil	Nil	74,852	Nil	74,852	Nil
Mike Mueller, Director	Nil	Nil	74,852	Nil	74,852	Nil
Amy O'Shea, Director	Nil	Nil	151,185	67,800	151,185	67,800
T. Robert Theoret, Officer	Nil	Nil	149,704	Nil	149,704	Nil
Deborah Morsky, Officer	Nil	Nil	149,704	Nil	149,704	Nil
<b>Total</b>	<b>685,000</b>	<b>300,000</b>	<b>1,481,120</b>	<b>67,800</b>	<b>2,166,120</b>	<b>367,800</b>

(a) For the year ended December 31, 2021, 41% is included in exploration and evaluation and 59% general and administrative expenses.

(b) For the year ended December 31, 2021, 71% is included in exploration and evaluation and 29% general and administrative expenses.

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 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.

### **New Accounting Standards adopted**

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

Amendments to IFRS 3, 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.

### **Recent Accounting Pronouncements**

There are no other relevant IFRS's or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company.

### **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 statements of operations and comprehensive loss in the period the new information becomes available. No indications of impairment were present at December 31, 2021.

#### **Discount rate on initial recognition**

The convertible debt and all the components of the lease liability are required to be discounted to reflect the present value of the payments. The discount rate to use is the rate implicit in the lease, unless this cannot readily be determined, in which case the Company's incremental borrowing rate is used instead. The definition of the lessee'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, 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 Tugaské Project as it entered development staged during fiscal year 2021. No impairment was identified.

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### **Capital Management**

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

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

At December 31, 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.

As at	December 31, 2021(\$)	December 31, 2020 (\$)	Change (\$)
Cash	1,712,079	748,946	963,133
Prepays and deposits	304,628	11,185	293,443
Receivables	143,433	37,189	106,244
Investments	11,273	6,305	4,968

The Company monitors these items to assess its ability to fulfill its ongoing financial obligations. Gensource relies on cash flow generated from operations, ongoing cost cutting measures and additional financing, if required, to maintain adequate liquidity to support its ongoing working capital commitments. As a result of economic conditions and market uncertainty, Gensource may: streamline operational costs; preserve cash to the extent possible; and adjust its strategy with respect to the disposition of securities to create additional liquidity for opportunities that may become available and to fund working capital. The Company will require a cash injection from either debt, funds from a new partner or from a private placement.

### **Financial Instruments and Risk Management**

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, 2020, available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Public Health Crises – COVID-19**

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Public Health crises and pandemics such as COVID-19 could limit or prohibit the conduct of exploration activities and could have a negative impact on the ability to obtain funding.

**Fair value hierarchy and liquidity risk disclosure**

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

**Share Capital**

The Company is authorized to issue an unlimited number of common shares. At December 31, 2021 and 2020, the Company has the following shares, warrants and options issued and outstanding:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Common shares outstanding	420,488,995	384,232,935
Warrants	1,373,228	Nil
Options	33,500,000	33,600,000
<b>Fully diluted</b>	<b>455,362,223</b>	<b>417,832,935</b>

At the date of this MD&A, the Company has the following shares, warrants and options issued and outstanding:

Common shares outstanding	421,088,995
Warrants	1,373,228
Options	32,900,000
<b>Fully diluted</b>	<b>455,362,223</b>

**Risk Factors**

Gensource's financial condition, results of operations and business are subject to certain risks which may negatively affect the Company. Certain of these risks are described below. Additional risks not currently known to the Company, or that the Company currently believes to be immaterial, may also affect and have a negative impact on the business.

*Commodity Price Fluctuations*

The Company does not have any potash mining operations. The profitability of any such operations in which the Company has, or may have an interest, will be significantly affected by changes in the market prices of potash. Prices for potash fluctuate and have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of potash, foreign currency exchange rates, international investments, monetary systems and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values.

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*Operating Hazards and Risks*

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions can occur. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

*Exploration and Development*

Development of the Company's properties will only follow upon obtaining continuing satisfactory exploration results and being able to obtain sufficient financing to continue the development and eventual commercial production of potash. Mineral exploration and development are speculative in nature and involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any additional discoveries of reserves of potash or that the current reserves or resources will be developed to production or be commercially viable. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish resources and reserves through drilling and development and for mining and processing facilities and infrastructure. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for minerals, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

*Calculation of Reserves and Resources and Potash Recoveries*

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and grades must be considered as estimates only.

*Reclamation*

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the waste rock or tailings and/or revisions to government regulations. Therefore, additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of the project to cover potential risks. These additional costs may have a material adverse impact on the financial condition and results of the Company.

*Government Regulation*

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price controls, tax increases, maintenance of claims, tenure, limitations on assignability or corporate ownership of mineral properties, and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.



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The activities of the Company require licenses and permits from various governmental authorities. While the Company currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that the Company will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects or to sell its projects or the Company itself.

#### *Indigenous Peoples*

Various international and national laws, codes, resolutions, conventions, guidelines, and other materials relate to the rights of Indigenous peoples. The Company operates in some areas presently or previously inhabited or used by Indigenous peoples. Many of these materials impose obligations on government to respect the rights of Indigenous people. Some mandate that government consult with Indigenous people regarding government actions which may affect Indigenous people, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national materials pertaining to Indigenous people continue to evolve and be defined. The Company's current and future operations are subject to a risk that one or more groups of Indigenous people may oppose continued operation, further development, or new development of the Company's projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities. Opposition by Indigenous people to the Company's operations may require modification of or preclude operation or development of the Company's projects or may require the Company to enter into agreements with Indigenous people with respect to the Company's projects.

#### *Environmental Factors*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties.

#### *Title to Assets*

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the leases or claims in which it holds direct or indirect interests. The precise area and location of such leases or claims may be in doubt. The Company's leases or claims may be subject to prior unregistered agreements or transfers or native or indigenous land claims and title may be affected by unidentified or unknown defects.

#### *Uncertainty of Funding*

The Company's current operations do not generate any positive cash flow and it is not anticipated that any positive cash flows will be generated in the near future. The Company has limited financial resources, and the mineral claims in which the Company has an interest, or an option to acquire an interest, require significant financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company to maintain these interests or, as applicable, to exercise its option to acquire those interests once those options have been exercised.

Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing, or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

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*Competition and Agreements with Other Parties*

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

*Potential Conflicts of Interest*

Certain directors and officers of the Company also serve as directors and officers of other public and private companies, such as Gensource. Consequently, there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving these other companies will be made in accordance with applicable laws and the duties and obligations to deal fairly and in good faith with the Company and these other companies. In addition, such directors must declare, and refrain from voting on, any matter in which such directors may have a material conflict of interest.

The Company has not entered into non-competition with certain consultants, other geologists and technical expertise and has no current plans to do so. The Company may hire consultants, other geologists and technical expertise but there is no guarantee that the Company will be able to retain personnel with sufficient technical expertise to carry out future development of its properties.

*Share Prices of Investments*

Gensource's investments in securities of public companies are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the shares is sustainable. The trading prices of the shares could be subject to wide fluctuations in response to various factors beyond the control of Gensource, including quarterly variations in the investee companies' results of operations; changes in earnings, if any; estimates or commentaries provided by research analysts; conditions in the emerging resource exploration mining sector; and general market or economic conditions. In recent years, equity markets have experienced extreme price and trading volume fluctuations. These fluctuations have had a substantial effect on market prices, sometimes unrelated to the operating performance of the specific companies. Such market fluctuations could adversely affect the market price of the Company's investments, which would have a significant negative impact on the Company's operating results.

*Concentration of Investments*

Gensource's investments are concentrated in the emerging resource mineral mining sector. The Company expects to focus on a smaller number of larger sized transactions and therefore performance may be disproportionately subject to adverse developments in the resource sector. There are currently no restrictions on the proportion or the amount of Gensource's funds that may be allocated to any particular investment. Accordingly, the Company's investment activities may be highly concentrated in a limited number of investments, or a particular segment within the mineral resource sector. The consequence of this type of concentration is that the Company's financial results may be substantially adversely affected by the unfavourable performance of any one of the limited number of investments or the particular segment within the mineral mining sector.

*Thinly Traded Securities*

Gensource has in the past invested in common shares of publicly traded companies and holds common shares in public companies that are characterized by thin, and sometimes uneven, trading volumes and are potentially subject to highly volatile price movements. One of the factors used when determining the valuation of common shares held in the Company's investment portfolio is price volatility; therefore, the theoretical valuation of common shares for thinly traded companies may be understated or overstated as a result.

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### **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 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 financial statements; and (ii) the 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.

### **Outlook**

For the immediate future, the Company intends to raise additional financing for the following purposes:

- complete the financing of the Tugaske Project,
- working capital purposes, and
- to begin to develop a second project.

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future.

### **Subsequent Events**

- On January 31, 2022, KClean Potash received a \$1M draw against the unsecured HELM \$5M credit facility.
- In February, 2022, 500,000 stock options with an exercise price of \$0.18 and an expiry date of April 23, 2022, were exercised and 100,000 stock options with an exercise price of \$0.17 and an expiry date of February 20, 2022, were exercised.

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- On February 14, 2022, the Company announced that the Company, HELM and Michael Ferguson (collectively, the "Defendants") 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").