



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2023
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)**

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Gensource Potash Corporation (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

| | As at March 31, 2023 | As at December 31, 2022 |
|--|----------------------------|-------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 312,883 | \$ 337,831 |
| Prepaid expenses and deposits | 49,987 | 74,557 |
| GST/HST and other receivables | 297,831 | 300,327 |
| Investments | 5,637 | 8,216 |
| Total current assets | 666,338 | 720,931 |
| Non-current assets | | |
| Deferred financing costs (note 3) | 2,383,919 | 2,377,748 |
| Exploration and evaluation assets (notes 4 and 15) | 4,059,028 | 3,890,413 |
| Property, plant and equipment (notes 4 and 5) | 18,178,631 | 17,880,148 |
| Right-of-use assets (note 6) | 68,538 | 80,423 |
| Total non-current assets | 24,690,116 | 24,228,732 |
| Total assets | \$ 25,356,454 | \$ 24,949,663 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Amounts payable and other liabilities | \$ 4,038,057 | \$ 4,089,744 |
| Promissory note from related party (note 8) | 245,373 | 240,745 |
| Short-term portion of lease liability (note 7) | 51,791 | 49,670 |
| Convertible debt (notes 9 and 15) | 2,129,039 | 2,089,606 |
| Flow-through liability (note 11) | 144,000 | 144,000 |
| Total current liabilities | 6,608,260 | 6,613,765 |
| Non-current liabilities | | |
| Lease liability (note 7) | 31,037 | 45,409 |
| Helm credit facility (note 10) | 2,885,395 | 2,836,024 |
| Total liabilities | 9,524,692 | 9,495,198 |
| Shareholders' equity | | |
| Share capital (note 11) | 44,186,200 | 42,417,800 |
| Units to be issued | - | 690,500 |
| Contributed surplus (note 12) | 5,899,216 | 5,834,491 |
| Equity portion of convertible debt | 72,526 | 72,526 |
| Deficit | (34,326,180) | (33,560,852) |
| Total shareholders' equity | 15,831,762 | 15,454,465 |
| Total shareholders' equity and liabilities | \$ 25,356,454 | \$ 24,949,663 |

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

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

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

| | Three Months Ended March 31, | |
|--|---------------------------------|---------------------|
| | 2023 | 2022 |
| Expenses | | |
| General and administrative (notes 14 and 15) | \$ 564,307 | \$ 725,281 |
| Share-based payments (note 12) | 64,725 | - |
| Depreciation (notes 5 and 6) | 12,884 | 13,197 |
| | 641,916 | 738,478 |
| Income (loss) before under noted items | (641,916) | (738,478) |
| Interest income | 2,102 | 441 |
| Unrealized (loss) on FVTPL investments | (2,579) | (1,719) |
| Accretion expense (notes 7, 8, 9 and 10) | (79,569) | (43,538) |
| Foreign exchange (loss) gain | (24,873) | 68,420 |
| Interest on credit facility | (18,493) | (10,205) |
| Loss and comprehensive loss | \$ (765,328) | \$ (725,079) |
| Basic and diluted loss per share (note 13) | \$ (0.00) | \$ (0.00) |
| Weighted average number of common shares outstanding - basic and diluted (note 13) | 426,822,662 | 420,815,662 |

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

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|---------------------|
| | 2023 | 2022 |
| Operating activities | | |
| Net loss | \$ (765,328) | \$ (725,079) |
| Adjustments for: | | |
| Depreciation | 12,884 | 13,197 |
| Share-based payments | 64,725 | - |
| Accretion expense | 79,569 | 43,538 |
| Unrealized loss on FVTPL investments | 2,579 | 1,719 |
| Interest on credit facility | 18,493 | 10,205 |
| | (587,078) | (656,420) |
| Changes in non-cash working capital | (24,621) | 1,741,638 |
| Net cash used in operating activities | (611,699) | 1,085,218 |
| Investing activities | | |
| Expenditure on development stage properties | (299,482) | (2,123,697) |
| Purchase of office equipment | - | (1,770) |
| Acquisition and expenditures on exploration and evaluation assets | (168,614) | (254,820) |
| Net cash used in investing activities | (468,096) | (2,380,287) |
| Financing activities | | |
| Cash proceeds from Helm credit facility | - | 1,000,000 |
| Cash proceeds from issuance of shares | 1,105,000 | - |
| Cost of issuance | (27,100) | - |
| Cash proceeds from exercise of stock options | - | 107,000 |
| Deferred financing costs | (6,171) | (245,304) |
| Repayment of lease on right-of-use asset | (16,882) | (16,098) |
| Net cash provided by financing activities | 1,054,847 | 845,598 |
| Net change in cash | (24,948) | (449,471) |
| Cash, beginning of period | 337,831 | 1,712,079 |
| Cash, end of period | \$ 312,883 | \$ 1,262,608 |

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

Gensource Potash Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(Unaudited)

| | Issued shares | Share capital | Shares to be issued | Contributed surplus | Convertible debentures | Deficit | Total |
|---|--------------------|----------------------|------------------------|------------------------|---------------------------|------------------------|----------------------|
| Balance, December 31, 2021 | 420,488,995 | \$ 40,993,968 | \$ - | \$ 6,387,449 | \$ 72,526 | \$ (31,068,989) | \$ 16,384,954 |
| Issuance of shares from exercise of options | 600,000 | 199,246 | - | (92,246) | - | - | 107,000 |
| Loss and comprehensive loss for the period | - | - | - | - | - | (725,079) | (725,079) |
| Balance, March 31, 2022 | 421,088,995 | \$ 41,193,214 | \$ - | \$ 6,295,203 | \$ 72,526 | \$ (31,794,068) | \$ 15,766,875 |
| Balance, December 31, 2022 | 426,795,995 | \$ 42,417,800 | \$ 690,500 | \$ 5,834,491 | \$ 72,526 | \$ (33,560,852) | \$ 15,454,465 |
| Issuance of shares (note 11(b)) | 11,969,998 | 1,795,500 | (690,500) | - | - | - | 1,105,000 |
| Issuance cost - cash | - | (27,100) | - | - | - | - | (27,100) |
| Share-based payments (note 12) | - | - | - | 64,725 | - | - | 64,725 |
| Loss and comprehensive loss for the period | - | - | - | - | - | (765,328) | (765,328) |
| Balance, March 31, 2023 | 438,765,993 | \$ 44,186,200 | \$ - | \$ 5,899,216 | \$ 72,526 | \$ (34,326,180) | \$ 15,831,762 |

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

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

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 #1100-201-1st Avenue South, Saskatoon, SK., S7K 1J5.

Geopolitical turmoil around the world is being driven by nationalism, polarization and economic instability. Due to globalization, regional events are having global impacts. In particular, the Russia and Ukraine war has resulted in, and may continue to result in, supply chain disruptions and higher prices for energy and several commodities, compounding existing energy and food supply chain bottlenecks.

The unaudited condensed interim 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 three months ended March 31, 2023 of \$765,328 (three months ended March 31, 2022 - net loss of \$725,079) and had an accumulated deficit in the amount of \$34,326,180 at March 31, 2023 (December 31, 2022 - \$33,560,852). 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 March 31, 2023, the Company had working capital deficiency of \$5,941,922 (December 31, 2022 - working capital of \$(5,892,834)).

The Company's ability to sustain ongoing development expenditures and 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 unaudited condensed interim 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 Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS's issued and outstanding as of May 19, 2023, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited annual financial statements as at and for the year ended December 31, 2022, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2023 could result in restatement of these unaudited condensed interim consolidated financial statements.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

2. Summary of significant accounting policies (continued)

Basis of preparation

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

Basis of consolidation

The unaudited condensed interim 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.

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, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements (“IAS 1”)

IAS 1 was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. Adoption of the amendment did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

Amendments to IAS 8 – accounting policies, changes in accounting estimates and errors

The amendments to IAS 8 is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. Adoption of the amendment did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

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, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 16 - Leases (“IFRS 16”)

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. The amendment are effective for annual periods beginning on January 1, 2024. The Company will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

3. Deferred financing costs

| | As at March 31, 2023 | As at December 31, 2022 |
|--------------------------|----------------------------|-------------------------------|
| Base shelf prospectus | \$ 447,230 | \$ 441,059 |
| Capital raises | 510,573 | 510,573 |
| Asset acquisition | 295,278 | 295,278 |
| Senior Debt | 1,130,838 | 1,130,838 |
| Balance at end of period | \$ 2,383,919 | \$ 2,377,748 |

4. Exploration and evaluation assets and development stage properties

The Lazlo Project (exploration and evaluation asset)

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 (exploration and evaluation asset)

The Vanguard Area is located in central Saskatchewan and comprises two mineral leases, KL244 and KL245, and Potash Permit, SMP200.

2021

The Company acquired an additional potash permit area, SMP200, through a Government of Saskatchewan public offering of subsurface Mineral Crown Dispositions S010. SMP200 which abuts existing Company leases, is approximately 7,180 hectares and represents a direct addition to mineral leases KL244 and KL245 in the Company's Vanguard Area.

The Tugaske Project (development stage property) (note 5)

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 offtaker, 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.

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 10).

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Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

4. Exploration and evaluation assets and development stage properties (continued)

The Tugaske Project (development stage property) (note 5) (continued)

2021 (continued)

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.

The Company announced that HELM and Gensource plan to double the overall potash production capacity of the Tugaske Project, from 250,000 tonnes per year to 500,000 tonnes per year, under a second phase of the Tugaske Project (“**Phase 2**”) by adding a second module to the Tugaske Project. It is expected that Phase 2 will be implemented immediately following the completion of the first phase of the Tugaske Project (“**Phase 1**”). HELM has also committed to guarantee a \$12,500,000 contingency account for the Tugaske Project, as is required by the bank syndicate of KfW IPEX-Bank and Société Générale in connection with the Company’s anticipated and previously announced debt financing.

2023

As of this writing, Helm has confirmed that it has withdrawn its proposed 33% ownership offer in KClean. Helm remains supportive of the Tugaske Project pursuant to the binding off-take agreement dated May 7, 2021

| Cost | Lazlo ⁽¹⁾ | Vanguard Area ⁽²⁾ | Total |
|--|-----------------------------|---|---------------------|
| Balance, December 31, 2021 | \$ 848,348 | \$ 2,832,555 | \$ 3,680,903 |
| Additions: | | | |
| Property acquisition and surface access fees | 6,277 | 192,748 | 199,025 |
| Geological and project management | - | 3,523 | 3,523 |
| Environmental | - | 6,962 | 6,962 |
| Balance, December 31, 2022 | \$ 854,625 | \$ 3,035,788 | \$ 3,890,413 |
| Additions: | | | |
| Property acquisition and surface access fees | 2,479 | 166,136 | 168,615 |
| Balance, March 31, 2023 | \$ 857,104 | \$ 3,201,924 | \$ 4,059,028 |

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.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

5. Property, plant and equipment

Cost

| | Office equipment \$ | Leasehold improvements \$ | Development properties \$ | Total \$ |
|----------------------------|---------------------------|---------------------------------|---------------------------------|-------------|
| Balance, December 31, 2021 | 227,741 | 95,853 | 12,807,860 | 13,131,454 |
| Additions | 1,770 | - | 5,058,183 | 5,059,953 |
| Balance, December 31, 2022 | 229,511 | 95,853 | 17,866,043 | 18,191,407 |
| Additions | - | - | 299,482 | 299,482 |
| Balance, March 31, 2023 | 229,511 | 95,853 | 18,165,525 | 18,490,889 |

Accumulated depreciation

| | Office equipment \$ | Leasehold improvements \$ | Development properties \$ | Total \$ |
|-----------------------------|---------------------------|---------------------------------|---------------------------------|-------------|
| Balance, December 31, 2021 | 210,156 | 95,853 | - | 306,009 |
| Depreciation for the year | 5,250 | - | - | 5,250 |
| Balance, December 31, 2022 | 215,406 | 95,853 | - | 311,259 |
| Depreciation for the period | 999 | - | - | 999 |
| Balance, March 31, 2023 | 216,405 | 95,853 | - | 312,258 |

Carrying amount

| | Office equipment \$ | Leasehold improvements \$ | Development properties \$ | Total \$ |
|----------------------|---------------------------|---------------------------------|---------------------------------|-------------|
| At December 31, 2022 | 14,105 | - | 17,866,043 | 17,880,148 |
| At March 31, 2023 | 13,106 | - | 18,165,525 | 18,178,631 |

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

6. Right-of-use assets

| | Property | Equipment | Total |
|-----------------------------------|-------------------|-----------------|-------------------|
| Balance, December 31, 2021 | \$ 125,654 | \$ 2,306 | \$ 127,960 |
| Depreciation | (45,693) | (1,844) | (47,537) |
| Balance, December 31, 2022 | \$ 79,961 | \$ 462 | \$ 80,423 |
| Depreciation | (11,423) | (462) | (11,885) |
| Balance, March 31, 2023 | \$ 68,538 | \$ - | \$ 68,538 |

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 |
|-----------------------------------|-------------------|-----------------|-------------------|
| Balance, December 31, 2021 | \$ 130,609 | \$ 4,652 | \$ 135,261 |
| Accretion expense | 23,689 | 1,305 | 24,994 |
| Lease payments | (60,387) | (4,789) | (65,176) |
| Balance, December 31, 2022 | \$ 93,911 | \$ 1,168 | \$ 95,079 |
| Accretion expense | 4,602 | 29 | 4,631 |
| Lease payments | (15,685) | (1,197) | (16,882) |
| Balance, March 31, 2023 | \$ 82,828 | \$ - | \$ 82,828 |

| | Under 1 year | Between 1 - 2 years | Between 3 - 5 years | Over 5 years | Total |
|--------------|------------------|------------------------|------------------------|-----------------|------------------|
| Property | \$ 51,791 | \$ 31,037 | \$ - | \$ - | \$ 82,828 |
| Total | \$ 51,791 | \$ 31,037 | \$ - | \$ - | \$ 82,828 |

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

8. Promissory note from related party

On May 31, 2022, the Company received a promissory note from a related party in the amount of \$250,000. The promissory note bear interest at a rate of 0% per annum and matures on July 1, 2023. The Company is entitled to prepay the whole or any part of the indebtedness evidenced by this note at any time and from time to time without notice, bonus or penalty of any kind whatsoever.

| | As at March 31, 2023 | As at December 31, 2022 |
|--------------------------------|----------------------------|-------------------------------|
| Balance at beginning of period | \$ 240,745 | \$ - |
| Draw against credit facility | - | 250,000 |
| Gain on issuance of debt | - | (20,053) |
| Accretion | 4,628 | 10,798 |
| Balance at end of period | \$ 245,373 | \$ 240,745 |

9. Convertible debt

On October 19, 2021, the Company 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.

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 initial recognition of the liability component was \$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.

| | Total |
|-----------------------------------|---------------------|
| Balance, December 31, 2021 | \$ 1,937,036 |
| Accretion expense | 152,570 |
| As at December 31, 2022 | 2,089,606 |
| Accretion expense | 39,433 |
| Balance, March 31, 2023 | \$ 2,129,039 |

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

10. Helm credit facility

On August 27, 2021, KClean entered into an unsecured loan agreement with Helm for development costs in connection with the Tugaska 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. For the years ended December 31, 2021 and December 31, 2022, KClean Potash received \$1,000,000 and \$2,000,000, respectively, draw against the unsecured \$5,000,000 HELM credit facility.

The Company valued the debt on initial recognition by calculating the present value of the principal and interest payments, discounted at a rate of 7.3%

The Helm credit facility is summarized as follows:

| | As at March 31, 2023 | As at December 31, 2022 |
|--------------------------------|----------------------------|-------------------------------|
| Balance at beginning of period | \$ 2,836,024 | \$ 1,005,000 |
| Draw against credit facility | - | 2,000,000 |
| Gain on issuance of debt | - | (323,643) |
| Accrued interest | 18,493 | 57,226 |
| Accretion | 30,878 | 97,441 |
| Balance at end of period | \$ 2,885,395 | \$ 2,836,024 |

11. 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 March 31, 2023, the Company had 438,765,993 common shares (December 31, 2022 – 421,088,995) issued and outstanding.

i) On January 26, 2023, the Company closed the second and final tranche, the Company issued 11,969,998 Units for aggregate gross proceeds of \$1,795,499.70. Each Unit consists of one common share in the capital stock of the Company (a "Common Share") and one Common Share purchase warrant of the Company (a "Warrant"). Each whole Warrant is exercisable for one Common Share (a "Warrant Share") at an exercise price of \$0.30 per Warrant Share for a period of 24 months following the date of issuance. These warrants were assigned a value of \$333,400 using the Black-Scholes valuation model.

The Company paid commission to a certain finder consisting of a cash payment of \$6,300, and paid legal and other fees of \$20,800 and issued 117,000 non-transferable warrants (the "Broker Warrants") of the Company to such finders, with each Broker Warrant exercisable, for a period of 24 months from the date hereof, into one Common Share (a "Broker Warrant Share") at an exercise price of \$0.30 per Broker Warrant Share. These warrants were assigned a value of \$3,300 using the Black-Scholes valuation model.

Gensource Potash Corporation

Notes to Condensed Interim Consolidated Financial Statements
 Three Months Ended March 31, 2023 and 2022
 (Expressed in Canadian Dollars)
 (Unaudited)

11. Share capital (continued)

b) Common shares (continued)

i) (continued) The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows:

- Risk free rate: 3.62%;
- Expected life: 2 years;
- Expected volatility: 75% based on historical 1.5 year trends; and
- Weighted average share price: \$0.135.

c) Warrants

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

| | Number of warrants | Weighted average exercise price (\$) |
|--|--------------------|--------------------------------------|
| Balance, December 31, 2021, March 31, 2022, and December 31, 2022 | 1,373,228 | 0.18 |
| Issued | 12,086,998 | 0.30 |
| Balance, March 31, 2023 | 13,460,226 | 0.29 |

| Issue date | Expiry date | Exercise price | Number of warrants |
|-------------------|-------------------|----------------|--------------------|
| February 12, 2021 | February 12, 2024 | \$0.18 | 1,373,228 |
| January 26, 2023 | January 26, 2025 | \$0.30 | 12,086,998 |

12. Stock options

Stock option transactions for the periods presented are as follows:

| | Number of stock options | Weighted average exercise price (\$) |
|-----------------------------------|-------------------------|--------------------------------------|
| Balance, December 31, 2021 | 33,500,000 | 0.16 |
| Exercised | (600,000) | (0.18) |
| Balance, March 31, 2022 | 32,900,000 | 0.16 |
| Balance, December 31, 2022 | 27,550,000 | 0.16 |
| Granted ⁽²⁾ | 1,000,000 | 0.14 |
| Expired/forfeited | (5,500,000) | (0.12) |
| Balance, March 31, 2023 | 23,050,000 | 0.17 |

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12. Stock options (continued)

The weighted average grant date fair value of options granted during the three months ended March 31, 2023 was \$0.09 (March 31, 2022 - \$nil).

The weighted average share price on exercise of stock options during the three months ended March 31, 2023 was \$nil (March 31, 2022 - \$0.18).

(1) On April 1, 2022, the Company granted an aggregate of 150,000 stock options to a consultant at an exercise price of \$0.38 per share, exercisable for a period of 5 years. The options vest: 37,500 on July 1, 2022; 37,500 on October 1, 2022; 37,500 on January 1, 2023, and 37,500 on April 1, 2023. The estimated fair value of these options at the grant date was \$39,000 using the Black-Scholes valuation model. During the three months ended March 31, 2023, \$2,440 (three months ended March 31, 2022 - \$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: 3.10%;
- Expected life: 5.0 years;
- Expected volatility: 87% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.375.

(2) On February 3, 2023, the Company issued 1,000,000 options to a consultant at an exercise price of \$0.14 for 5 years. 333,333 options vested on February 3, 2023, 333,333 options vest on April 15, 2023 and 333,334 options vest on October 15, 2023. The estimated fair value of these options at the grant date was \$93,000 using the Black-Scholes valuation model. During the three months ended March 31, 2023 \$62,285 (three months ended March 31, 2022, \$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: 3.05%;
- Expected life: 5.0 years;
- Expected volatility: 81% based on historical 5 year trends;
- Forfeiture rate: nil;
- Expected dividend yield: 0%; and
- Weighted average share price: \$0.14.

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12. Stock options (continued)

The following table reflects the stock options issued and outstanding as of March 31, 2023:

| Expiry date | Exercise price (\$) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) | Number of options unvested |
|-------------------|---------------------|---|-------------------------------|--|----------------------------|
| June 13, 2023 | 0.145 | 0.20 | 1,000,000 | - | 1,000,000 |
| July 18, 2023 | 0.145 | 0.30 | 1,000,000 | 1,000,000 | - |
| January 31, 2024 | 0.105 | 0.84 | 1,000,000 | 1,000,000 | - |
| October 23, 2024 | 0.140 | 1.57 | 7,250,000 | 7,250,000 | - |
| February 09, 2025 | 0.110 | 1.87 | 300,000 | 300,000 | - |
| March 31, 2025 | 0.085 | 2.00 | 1,000,000 | 1,000,000 | - |
| June 03, 2025 | 0.095 | 2.18 | 500,000 | 500,000 | - |
| December 30, 2025 | 0.205 | 2.75 | 2,500,000 | 2,500,000 | - |
| April 20, 2026 | 0.210 | 3.06 | 1,000,000 | 1,000,000 | - |
| July 15, 2026 | 0.215 | 3.29 | 5,000,000 | 5,000,000 | - |
| August 03, 2026 | 0.220 | 3.35 | 1,350,000 | 1,350,000 | - |
| March 31, 2027 | 0.380 | 4.00 | 150,000 | 112,500 | 37,500 |
| February 03, 2028 | 0.140 | 4.85 | 1,000,000 | 333,333 | 666,667 |
| | 0.17 | 2.29 | 23,050,000 | 21,345,833 | 1,704,167 |

13. Net (loss) per common share

| | Three Months Ended March 31, | |
|--|---------------------------------|--------------|
| | 2023 | 2022 |
| Numerator | | |
| Net income (loss) | \$ (765,328) | \$ (725,079) |
| Denominator | | |
| Weighted average number of common shares outstanding - basic and diluted | 426,822,662 | 420,815,662 |
| Basic net income (loss) per share | \$ (0.00) | \$ (0.00) |

Basic loss per share is computed by dividing net loss (the numerator) by the weighted average number of outstanding common shares for the period (the denominator). In computing diluted loss per share, an adjustment is not made for the dilutive effect of the convertible debenture outstanding, outstanding warrants and outstanding stock options as they are anti-dilutive.

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14. General and administrative

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2023 | 2022 |
| Wages and incentive compensation (note 15) | \$ 154,913 | \$ 45,180 |
| Marketing and promotion | 130,841 | 27,210 |
| Professional fees (note 15) | 123,620 | 63,783 |
| AIM listing costs | 100,235 | 307,051 |
| Office and general | 54,698 | 282,057 |
| | \$ 564,307 | \$ 725,281 |

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:

| | | Three Months Ended March 31, | |
|----------------------------|------|---------------------------------|-----------|
| | | 2023 | 2022 |
| Rob Theoret | (i) | \$ 50,000 | \$ 49,998 |
| 101188810 Saskatchewan Ltd | (ii) | 50,000 | 50,000 |

i) Compensation to the VP Finance and Business Development. For the three months ended March 31, 2023, 100% is included in development properties (three months ended March 31, 2022 – 100% is included in development properties).

ii) Controlled by VP, Corporate Services. For the three months ended March 31, 2023, 100% is included in general and administrative expenses (three months ended March 31, 2022 – 100% is included in general and administrative expenses).

iii) Included in amounts payable and other liabilities was \$35,000 (December 31, 2022 - \$nil) owed to related companies for fees and expenses.

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

| | | Three Months Ended March 31, | |
|----------|-----|---------------------------------|------------|
| | | 2023 | 2022 |
| Salaries | (i) | \$ 137,500 | \$ 137,500 |

(i) For the three months ended March 31, 2023 – 75% is included development properties and 25% is included in general and administrative expenses (three months ended March 31, 2022 – 90% is included development properties and 10% in general and administrative expenses).

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15. Related party balances and transactions (continued)

- (b) Remuneration of directors and key management personnel (continued),
- (ii) In October 2021, directors and officers of the Company purchased \$1,985,000 of Convertible Debentures (note 9). During the three months ended March 31, 2023, the Company expensed of \$24,474 in interest on the convertible debentures (three months ended March 31, 2022 - \$24,474).
- (iii) As at March 31, 2023, officers were owed \$30,350 (December 31, 2022 - \$966) and this amount was included in amounts payable and other liabilities.

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 March 31, 2023, 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.

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 unaudited condensed interim 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 March 31, 2023. The Company's cash is deposited with a major Canadian chartered bank and is held in highly-liquid investments.

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16. Financial risk management (continued)

Credit risk (continued)

As at March 31, 2023, the aggregate gross credit risk exposure related to cash was \$312,883 (December 31, 2022 – \$337,831), and was entirely comprised of cash held with financial institutions with an “AA” credit rating or above and securities brokerage firms. As at March 31, 2023, the aggregate gross credit risk exposure related to receivables was \$297,831 (December 31, 2022 – \$300,327) 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 March 31, 2023, the Company had a total of \$312,883 in cash and \$5,637 in investments to settle current liabilities of \$6,608,260.

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 completing additional financing to improve its liquidity.

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 March 31, 2023:

| March 31, | 2024 | 2025 | 2026 | 2027 | Total |
|--|---------------------|---------------------|-------------|-------------|---------------------|
| Accounts payable & accrued liabilities | \$ 4,038,057 | \$ - | \$ - | \$ - | \$ 4,038,057 |
| Lease payments | 64,308 | 32,939 | - | - | 97,247 |
| Convertible debentures | 2,169,589 | - | - | - | 2,169,589 |
| Helm credit facility | - | 3,187,363 | - | - | 3,187,363 |
| Promissory note from related party | 250,000 | - | - | - | 250,000 |
| | \$ 6,521,954 | \$ 3,220,302 | \$ - | \$ - | \$ 9,742,256 |

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 March 31, 2023, the Company held US\$9,183 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 \$100. 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.

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16. Financial risk management (continued)

Fair values

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Fair value hierarchy

| Cash and investments | Level 1 | Level 2 | Level 3 | Total |
|----------------------|------------|---------|---------|------------|
| March 31, 2023 | \$ 318,520 | \$ - | \$ - | \$ 318,520 |
| December 31, 2022 | \$ 346,047 | \$ - | \$ - | \$ 346,047 |

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 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.

At March 31, 2023, the Company's capital structure consists of the equity of the Company, convertible debenture, related party promissory note and Helm credit facility. The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends. There were no changes to capital management in the period.

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. As the triggering event has not taken place, the contingent payments have not been reflected in these unaudited condensed interim consolidated financial statements.

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18. Commitments and contingencies (continued)

iii) In addition to the risks disclosed in the Company's unaudited condensed interim 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) entered into a mutual release and settlement agreement dated February 11, 2022. The net amount of settlement is included in general and administrative expenses.

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.

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.

As of this writing, the binding conditional commitment letter from KfW-Ipex Bank and Société Générale has formally expired. Both banks, however, have indicated their commitment to the project and stand ready to follow through with the debt financing, once the full equity solution is in place. The Company maintains communications with both banks on a consistent basis

v) *Flow-through commitment:*

As of March 31, 2023, the Company must incur \$480,000 in eligible exploration expenditures on or before December 31, 2023.

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19. Subsequent events

- i) On April 24, 2023, the Company announced an amendment was made to the maturity date of the promissory note from a related party dated May 31, 2022 (note 8). The maturity date has been amended to July 1, 2024.
- ii) On May 8, 2023, a director, was granted 1,000,000 stock options at an exercise price of \$0.125, exercisable for a period of 5 years. These options vest immediately.