MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2019

(Expressed in Canadian Dollars)

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This Management's Discussion and Analysis ("MD&A") provides information concerning the financial conditions and results of operation of Western Resources Corp. ("we", "our" or the "Company"). This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto prepared in accordance with IAS 34, Interim Financial Reporting of International Financial Reporting Standards ("IFRS") for the three months ended December 31, 2019. This MD&A should be read in conjunction with our unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019 and our annual audited consolidated financial statements for the year ended September 30, 2019, each of which are available on the SEDAR website at www.sedar.com.

This MD&A is prepared as of February 14, 2020. All dollar amounts in this MD&A are expressed in Canadian dollars, unless otherwise specified. United States dollars is referred to as "US$".

FORWARD-LOOKING STATEMENTS

Statements contained in this MD&A that are not historical facts are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of mineral resources; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of mineral resources; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, uncertainties and market price fluctuation of real estate investment industry, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

DESCRIPTION OF BUSINESS

The Company was incorporated on January 16, 2017 under the British Columbia Business Corporations Act.

The Company is a resource company mainly focused on the development of its Milestone potash project (the "Milestone Project") property in Canada. The Milestone Project is located in Southern Saskatchewan. The Company's objectives are to successfully complete Phase I of the Milestone Project ("Phase I") to prove a new mining technology, which will then be applied to Phase ll and Phase lll to ultimately develop a world-class potash deposit at a competitive cost and environmentally friendly model. The Company currently has no mineral production that yields any revenues.

Since fiscal year ended September 30, 2017 to the date of this MD&A, the Company invested excess funds in real estate development projects in the Greater Vancouver area.

OVERVIEW

Globally, potash prices have fluctuated since 2000, which is the direct result of changes in potash supply and demand, as well as of the global economic situation and unstable market trend in oil and other commodities. Management remains positive with respect to the potash industry, as well as in the medium to long-term potash fundamentals. New projects are anticipated, however the increase in production is likely to be absorbed by the marketplace without a disruption to prices.

In terms of the Milestone Phase I Project, management believes that it has generally favorable conditions when compared to other competitors. Western has signed a binding off-take agreement with Archer Daniels Midland Co. ("ADM") to sell all of the Phase I potash product in the North American market. From an overall cost perspective, the Milestone Phase I Project CAPEX projection is below other recent new potash mines, and will be energy and water efficient due to the innovative technology that will be utilized, thus making the Phase I Project very competitive.

Further, Saskatchewan is one of the best regions in the world for mining, with large high-quality resources, a stable government, good infrastructure and a highly skilled and available workforce. Thus, the Company continues to believe that even in this competitive market there is an opportunity for an innovative potash producer, provided that the operating costs are low and the right marketing strategy is adopted. By adjusting our plan to market, with a staged approach to the Phase I Project (Pilot Plant Scale Selective Solution Mining Operation of 146,000 tonnes of MOP per year) to prove the innovative solution mining technology, and a future Phase II and III when the market is right, provides the most optimum strategy for the world class asset to be developed.

Construction with Stuart Olson Prairie Construction ("Stuart Olson") has continued well. Work has finished on the concrete foundations, site preparation and water well development. Construction of the process plant is well underway with the erection of the steel frame for the process plant, arrival and placement of e-houses for the process plant and well pad, placement of injection pumps and arrival of several other major pieces of equipment and specialty piping. The project remains on track to complete Phase I construction in mid-2020 with potash production to commence by the fourth quarter of fiscal of 2020.

As of December 31, 2019, the crystallization pond is approximately 90% full from water pumped from the Mannville Formation water well (constructed in 2018). All other site infrastructure projects (gas, power, water, roads, telecommunication) are complete.

The Company has successfully completed the Phase I production drilling program and as a development activity, has started solution pumping into all three horizontal caverns. These are the first intentionally drilled and connected horizontal potash caverns in Saskatchewan and signify a new and improved method of extracting potash in the province. Pumping operations will be ongoing to enlarge the caverns and saturate the brine with salt in preparation for the start of hot mining in early 2020. Hot mining will recirculate brine into the caverns and preferentially extract the potassium chloride (“KCl”) (leaving the sodium chloride (“NaCl”) in place underground), building an inventory of potash in the crystallization pond over the winter.

The Company has received a number of administrative and construction permits from the Saskatchewan Ministry of Environment (“SMoE”) as well as the Regional Municipality (“RM”) of Lajord. A comprehensive strategy to acquire all the relevant permits for the construction and operations has been developed, and permit applications will be submitted during and as required to support the construction and operations.

The Company is very encouraged by the continued broad support for the project and continues to actively engage the local community, the Saskatchewan government, the RM of Lajord, local businesses, and local landowners with ongoing meetings, sponsorships, and community newsletters.

Management is pleased with the progress made with the start of solution pumping operation and continued construction progress during 2019, and with strong and stable potash prices and the binding off-take agreement. Potash production is expected to commence in the fourth quarter of fiscal 2020 in the new low-cost, environmentally friendly potash plant currently under construction. If successful extraction and processing can be demonstrated at a Phase I plant scale, economies of scale will position Phases II and III very favorably in comparison to other producers.

China Blue Chemical (“CBC”) is one of the few potash importers in China and a strategic shareholder of the Company. The Company has a non-exclusive off-take agreement for one-third (1/3) of the Phase II and III production with CBC. The Company has gradually increased its staffing levels in 2019 and will continue to fill additional positions in anticipation of the continued construction and operation of the Phase I project.

Since 2017, the Company has actively invested its excess cash to earn a higher return than bank deposits. The Company has partnered with Formwerks Boutique Investments Ltd. (“Formwerks”), and Alabaster Holdings Corp. (“Alabaster”), both real estate developers in the Greater Vancouver area, to develop real estate projects. The Company has four existing limited partnerships with Formwerks and a limited partnership with Alabaster. The Company continues to have approximately $23.3 million invested in real estate projects through its investments.

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY RESULTS

The following table reports selected financial information for the 8 most recent quarters.

	Three months ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
	$	$	$	$
Other income (expense)	176,322	(458,646)	277,801	777,186
Operating expenses	536,835	392,363	414,144	552,577
Net loss and comprehensive loss	(360,513)	(851,009)	(136,343)	224,609
Loss per share - basic and diluted	(0.00)	(0.01)	(0.00)	0.00

	Three months ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	$	$	$	$
Other income	749,053	2,380,928	856,283	655,249
Operating expenses	908,473	519,947	624,572	571,627
Net income (loss) and comprehensive income (loss)	(159,420)	1,860,981	231,711	83,622
Income (loss) per share - basic and diluted	(0.00)	0.02	0.00	0.00

REVIEW OF QUARTERLY FINANCIAL RESULTS

Net loss and comprehensive loss

Net loss and comprehensive loss for the three months ended December 31, 2019 increased by $201,093 to $360,513 compared to a net loss and comprehensive loss of $159,420 for the three months ended December 31, 2018.

Operating expenses

Operating expenses decreased by $371,638 to $536,835 for the three months ended December 31, 2019 compared to $908,473 for the three months ended December 31, 2018 primarily due to decreases in rent, legal fees, and consulting fees, which were partially offset by increases in accounting fees, depreciation and share-based payments. Other significant components of operating expenses for the three months ended December 31, 2019 changed marginally in comparison to the same period in 2018.

Rent decreased by $178,269 to $7,627 for the three months ended December 31, 2019 from $185,896 for the three months ended December 31, 2018. The Company entered into a new office lease agreement on December 3, 2018 which has lower rent payments than the previous office lease agreement and the Company's office leases are now considered finance leases with the corresponding right-of-use asset associated with the leased office space resulting in an increase in depreciation expense.

Consulting fees decreased by $182,921 to $126,000 for the three months ended December 31, 2019 from $308,921 for the three months ended December 31, 2018 due to fewer consultants employed compared to comparative period in the prior year and bonuses paid to the management team in the prior year.

Legal fees decreased by $90,257 to $78,509 for the three months ended December 31, 2019 from $168,766 for the three months ended December 31, 2018 as the Company incurred additional legal fees in assessing the validity of the Amarillo Gold Corporation legal claim during the first quarter of 2018; less legal fees were incurred in the first quarter of 2019 as the Company awaits the final decisions on its petition filed.

Accounting fees increased by $33,204 to $87,704 for the three months ended December 31, 2019 from $54,500 for the three months ended December 31, 2018 due to increases in the year-end audit and accounting fees as the Company's activities increased.

Share-based payments increased by $41,776 to $41,776 for the three months ended December 31, 2019 from $nil for the three months ended December 31, 2018 related to stock options granted to the Company's management team, directors and employees in May and June 2019.

Other income and expenses

Interest income decreased by $610,387 to $72,764 for the three months ended December 31, 2019 from $683,151 for the three months ended December 31, 2018. The decrease is mainly due to the repayment of loans receivables that were outstanding in the preceding year and redemption of a number of term deposits which resulted in lower interest income earned.

Other income increased by $59,710 to $60,954 for the three months ended December 31, 2019 from other income of $1,244 for the three months ended December 31, 2018. The increase in other income is due to foreign exchange gains from currency conversion as the Company occasionally converts funds to pay foreign suppliers.

Rental income decreased by $80,288 to $nil for the three months ended December 31, 2019 from $80,288 for the three months ended December 31, 2018 due to termination of the previous Vancouver office lease and the current premises are not sub-leased.

Gain (loss) on change in fair value of marketable securities increased by $85,847 to a gain of $61,118 for the three months ended December 31, 2019 from loss on change in fair value of marketable securities of $24,729 for the three months ended December 31, 2018 due to an unrealized gain in the revaluation of the Company's investments in marketable securities.

LIQUIDITY AND CAPITAL RESOURCES

The Company's unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019 have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business.

At December 31, 2019, the Company does not have significant sources of revenues and generates an operating cash outflow. During the three months ended December 31, 2019, the Company continued to focus on the construction of Phase I of the Milestone Project which requires substantial capital expenditures. The Company through its wholly owned subsidiary, Western Potash Corp. ("Western Potash"), has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project with a remaining committed amount of approximately $28,270,000. As at December 31, 2019, the Company has a working capital deficit of $23,045,576 including cash of $1,078,317. Based on its current cash flow forecast, its existing obligations and commitments and considering the undrawn portion of the credit facility discussed below, the Company will require further funds in the remaining nine-months of the 2020 fiscal year in order to complete construction and successfully commission Phase I of the Milestone Project and to fund its real estate investments and general and administrative expenses.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on Company's ability to continue as a going concern. The unaudited condensed consolidated interim financial statements do not reflect any adjustments to the carrying values and classifications of its assets and liabilities that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

Cash resources and liquidity

At December 31, 2019, the Company does not have significant sources of revenues and generate an operating cash outflow. During the three months ended December 31, 2019, the Company incurred a cash outflow of $2,079,430 on operating activities. As at December 31, 2019, the Company has a working capital deficit of $23,045,576 including cash of $1,078,317.

Financing activities

On September 12, 2019, Western Potash entered into a credit facility agreement (the "Credit Facility Agreement") with the Company's majority shareholder for an amount up to $40,000,000, of which $30,000,000 was drawn during the three months ended December 31, 2019.

On November 18, 2019, the Company received a non-interest-bearing bridge loan ("Bridge Loan") from a company which is controlled by an officer of the Company of $6,600,000. The Bridge Loan was unsecured and matured on December 31, 2019. The Bridge Loan was fully repaid by the Company on December 13, 2019 and December 19, 2019 in payments of $2,000,000 and $4,600,000, respectively.

On January 10, 2020, Western Garden entered into a separate loan agreement with the Company's majority shareholder for $1,200,000.

Investment activities

During the three months ended December 31, 2019, the Company continue to focus on the construction of Phase I of the Milestone Project which requires substantial capital expenditures. The Company through its wholly owned subsidiary, Western Potash Corp. ("Western Potash"), has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project with a remaining committed amount of approximately $28,270,000.

The carrying value of mineral property, plant and equipment totaled $181,351,597 as at December 31, 2019 compared to $154,053,146 as at September 30, 2019. The increase reflects the Company's development and construction activities at its Milestone Project in Saskatchewan where $27,152,362 in mineral interest, development and construction costs as well as property and office equipment costs were incurred during the three months ended December 31, 2019. In addition, $175,785 resulted from impact of change in accounting policy related to IFRS 16 adoption were added to mineral property, plant and equipment during the three months ended December 31, 2019.

Since fiscal year September 30, 2017, the Company through its subsidiaries entered into a number of arrangements with Formwerks and Alabaster, both Vancouver based real estate development companies, to develop real estate projects.

<u>During the three months ended December 31, 2019:</u>

- Western Potash has made total capital contributions of $188,000 to FB Robinson LP.
- Western Garden has made total capital contributions of $61,874 to FB Third LP.
- Western Garden has made total capital contributions of $1,000,000 to Alabaster LP.
- Western Garden made an additional capital contribution of $200,000 to Seaton.

<u>Subsequent to December 31, 2019</u>

- On January 14, 2020 and January 16, 2020, Western Garden made capital contributions of $404,000 and $480,000, respectively, to Seaton LP.

Based on its current cash flow forecast, its existing obligations and commitments and the Credit Facility Agreement, the Company will require further funds in the remaining fiscal year of 2020 in order to complete construction and successfully commission Phase I of the Milestone Project and to fund its real estate investments and general and administrative expenses.

Management is currently exploring other financing arrangements, including equity and debt financing, in order to complete construction activities, commission Phase I of the Milestone Project and fund general and administrative expenses. However, there are no assurances that the Company will be successful in obtaining such equity or debt financing.

MILESTONE PROJECT

The Company is focused on building Canada's most efficient potash solution mine at its 100% owned Milestone property located 35 kilometers southeast of Regina Saskatchewan, a region with some of the largest producing potash solution mines in the world. The Company has initiated the construction of Phase I of a potash mine in an ecologically sustainable, economically efficient and socially responsible manner. This will be the first potash mine in the world that will leave no salt tailings on the surface, thereby significantly reducing water consumption.

Land and Minerals

The Milestone Project includes 87,532 acres of Crown held Mineral Leases, and 61,182 acres of acquired Freehold Leases. The renewable, 21-year Crown lease was granted by ministerial order and provides the Company with full and exclusive power and right to mine Crown owned subsurface minerals, including potash, subject to the provisions outlined by The Saskatchewan Subsurface Mineral Regulations (1960) and The Subsurface Mineral Tenure Regulations (2015). The Company has completed the drilling of eleven potash exploration wells on the property, acquired several hundred-line kilometers of 2D seismic study, and conducted a 3D seismic study during the exploration program. The leases are adjacent to potash permits held by other multinational mining companies.

Permits

Western Potash has previously investigated the full-scale Phase II and III 2.8 million-tonnes per year Milestone Project by completing multiple Resource and Reserve Estimates (2010, 2011, 2012, and 2013), a Scoping Study (2011), a Prefeasibility Study (2011), and a Feasibility Study (2012) on the Milestone Project. The SMoE issued Environmental Assessment Approval ("EAA") for the Milestone project in March of 2013.

The 2013 approval was amended to include the new mining methodology and the scale of the Phase I plant, and approval was received in 2015 from the SMoE. Following the conclusion of the AMEC Phase I Pilot Study, a second EAA amendment application was submitted detailing the final engineering and location of the Phase I plant, and approval was received in 2017.

A condition of the SMoE approval was to "provide a signed Development Plan Agreement with the Rural Municipality of Lajord No. 128 to the Environmental Assessment Branch (EAB) prior to onset of construction activities at the Milestone site". A Development Agreement was signed in 2015. An amendment Project Agreement containing the provision for a 'Proposed Plan of Development' was signed August 2017 for the 146,000 TPY Phase I Project, incorporating the reduction in capacity, new location and minor changes to the process performed during the AMEC Foster Wheeler engineering. A second amendment to the Project Agreement updated the details for the final SNC-Lavalin engineering, including the change of access road, addition of compaction and other minor engineering changes and was submitted and approved in February 2019.

Approval of the water rights license for the Mannville Formation water well was received in November 2018 from the Water Security Agency and final approval to operate the water well and pipeline was received in August 2019.

The SMoE issued Approval to Operate #PO19-172 on September 13, 2019 (the "Operating Approval"). The approval allows, amongst other things, the filling of the crystallization pond. The Operating Approval will be amended to include ongoing operational changes as the site is developed and constructed.

The Company has received a number of administrative and construction permits from the SMoE as well as the RM of Lajord. A comprehensive strategy to acquire all the relevant permits for the construction and operations has been developed, and permits will be submitted during and as required to support the construction and operations.

Engineering Studies

The Phase I pilot plant ("Phase I Project") uses selective solution mining of the Milestone deposit, starting with a smaller, low capital cost pilot project. The Phase I Project is designed to produce 146,000 tonnes per year of potash over a project life of 12 years. To achieve this production a total of six caverns are planned with three caverns in operation for 6 years followed by an additional 3 caverns. Each of the caverns are injected with NaCl saturated brine through one well to selectively dissolve KCl leaving the excess NaCl behind. The KCl rich brine is then brought to surface through a production well and sent to a pond to crystallize the KCl utilizing the cool ambient conditions. The KCl from the pond will be harvested via a dredge and the resulting KCl rich slurry will be pumped to the process plant. In the process plant the slurry will be de-brined and the KCl cake will be dried, compacted and then sent for storage and loadout.

SNCL has completed the Final Engineering and is currently incorporating the vendor fabrication drawings and assisting with construction information requests. All of the major packages of equipment required for the plant and ancillary facilities have been procured and approximately 90% delivered to the project site.

Solution Mining and Drilling

The Company has successfully completed the Phase I production drilling program, and has started solution mining into all three horizontal caverns. These are the first intentionally drilled and connected horizontal potash caverns in Saskatchewan, and signify a new and improved method of extracting potash in the province.

The drilling included three directionally drilled production wells, which were then connected to injection wells. Advanced horizontal drilling techniques were used to target the high-grade potash bed, and measurements confirmed the consistency along the entire length of the horizontal wells. After casing and tubing was placed, water from the crystallization pond was successfully circulated into the injection well and back out the production well in all three caverns.

Pumping is successfully ongoing to enlarge the caverns and saturate the brine with salt in preparation for the start of hot mining in early 2020. Hot mining will heat and recirculate the brine into the caverns and preferentially extract the KCl (leaving the NaCl in place underground), building an inventory of potash in the crystallization pond over the winter.

As of December 31, 2019 about 90% of operating capacity of the crystallization pond has been filled from the Manville Water well. It is anticipated the pond will be filled to full operating level in later January 2020.

Construction

Construction with Stuart Olson Prairie Construction ("Stuart Olson") as the general contractor for the construction of the Company's Milestone Phase I Project has continued well. Work has finished on the concrete foundations, site preparation and water well development. Construction of the process plant is well underway with the erection of the steel frame for the process plant, arrival and placement of e-houses for the process plant and well pads, placement of injection pumps and arrival of several other major pieces of equipment and specialty piping. The majority of the site buried pipes have been installed, and work is ongoing on the electrical and control systems.

The project remains on track to complete Phase I construction in mid-2020 with potash production to commence by the Q4 of fiscal 2020.

Community and Infrastructure

The Company is committed to maintaining good relationships with the community, government and business, through open and transparent communication, feedback and ongoing engagement with all parties and well as bringing benefits to the local community. Regular meetings with all levels of government have continued to confirm strong support for the project.

All other site infrastructure projects (gas, power, water, roads, telecommunication) are complete.

In 2017 Western Potash and the City of Regina entered into an amended agreement for access to recycled wastewater. Included in the terms of the new agreement, Western Potash paid a commitment fee of $200,000, and will pay an annual 'standby' fee of $100,000 (indexed with CPI) for every year that water is not drawn. When Western Potash begins to draw water, 50% of the standby and commitment fees paid to the City will be refunded in the form of a credit against water usage charges.

Qualified Persons

The in-house qualified person who has reviewed and approved the disclosure of technical and scientific information included in this MD&A is Greg Vogelsang, P.Eng., P.Geo., FGC, FEC.

COMMITMENTS AND CONTRACTUAL AGREEMENTS

- On February 22, 2019, Western Potash entered into a lease extension agreement for office premises in Regina, which commenced on June 1, 2019 and expires on May 31, 2020. The minimum annual lease payments are approximately $46,000.

(Expressed in Canadian Dollars)

- Western Potash entered into a water supply agreement with respect to the Milestone Project dated November 15, 2012 with the City of Regina with a term of 44 years and which would have required fixed payment for water usage at a rate of $0.25/cubic meter (increasing by 1% annually) multiplied by a fixed annual volume as prescribed in the agreement. On December 21, 2017, the agreements were amended to stipulate that the City of Regina will provide Western Potash a preferential right to access a maximum of up to 25,000 cubic meters of water at a rate of $0.2628/cubic meter (increasing by a multiplier every year) per day of recycled water for an agreed term of 40 years from the start of water flow. No standby fee was made during the three months ended December 31, 2019. Half of the commitment fee and standby fee will be credited against the annual water usage fees if water usage commences on or before December 31, 2025. If the Company does not commence usage on or before December 31, 2025, all credits accrued until that date will no longer be creditable against the annual usage fees. Furthermore, the Company will be required to pay a standby fee of $500,000 annually after December 31, 2025 until the earlier of the date water usage commences and the term of the agreement which is defined in the agreement as 40 years after connection to the Regina water system is completed. Both the City of Regina and the Company have the option to terminate the contract on or after December 3, 2025 if usage has not commenced by that date.

- On October 25, 2018, Western Potash signed an off-take agreement with a North American company in the business of selling agricultural fertilizers to purchase an annual production of 146,000 metric tons of product from Western Potash once production at the Milestone Project reaches the designed capacity, for a duration of 10 years.The Company's 100% owned subsidiary, Western Potash, has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project. As of December 31, 2019, total capital expenditure commitments and the expected due dates are summarized as follows:

- On or before March 31, 2020	$17,780,000
- On or before June 30, 2020	7,359,000
- On or before September 30, 2020	3,131,000
	$28,270,000

CONTINGENCIES

The Company is involved in various claims and other matters in the ordinary course of business.

Lockwood Financial Ltd.

By an agreement dated September 1, 2010, the Company retained Lockwood Financial Ltd. ("Lockwood") to provide certain services. That agreement provided for various potential payments from the Company to Lockwood if specific triggering events occurred. A Notice of civil claim has been filed by Lockwood seeking a payment in an amount of $1,439,056 for a success fee and additional service fee owing. It is the position of the Company that none of the triggering events occurred and that no amount is currently payable to Lockwood.

The case is on hold due to the withdrawal of Lockwood's legal counsel from the case on March 8, 2019. The Company, in consultation with legal counsel, assesses that it is not probable at December 31, 2019 that the claim of Lockwood will be successful.

Amarillo Gold Corporation

In May 2018, the Company received a demand letter from Amarillo Gold Corporation ("Amarillo") with respect to a services agreement between Amarillo and the Company's subsidiary, Western Potash dated April 28, 2008. Amarillo is seeking to recover $2,136,000 in taxes and penalties related to certain exploration permits Amarillo has become liable to pay as a result of Amarillo's Brazilian subsidiary taking potash claims in Brazil during 2008 on behalf of Western Potash. The Company, in consultation with legal counsel, is in the process of determining the validity of Amarillo's claim and has entered into an arbitration process. On December 21, 2018, Western Potash filed a petition in the Supreme Court of British Columbia ("Supreme Court") seeking, amongst other things, an order and declaration that certain information requested by Amarillo hold solicitor client privilege. The petition was heard in October 2019 and the Supreme Court ruled on the petition application on January 8, 2020, determining that the communications in question are not protected by privilege. The Company has decided not to appeal, but instead to renew its efforts to investigate the claim (which involves historical events more than a decade ago when Western Potash was under different management) and to defend the arbitration. The Company believes that more evidence will become available as a result of the arbitration process which will enable it to better assess the merits of the claim. The arbitration process is in its early stage and it is not currently possible for the Company to conclude definitively whether it has a present obligation and if so, whether it is probable that a cash outflow will be required to settle the obligation, however based on the information obtained to date the Company does not believe any funds are owed to Amarillo under the services agreement.

OUTSTANDING SHARE DATA

Common shares

As of December 31, 2019 and the date of this MD&A, the Company had 186,874,220 common shares issued and outstanding with a carrying value of $231,106,466. 777,400 common shares with a carrying value of $762,520 are classified as treasury shares which the Company reacquired from its shareholders but has not retired.

Stock options

During the three months ended December 31, 2019, 400,000 options with an exercise price of $0.12 per common share were forfeited.

As of December 31, 2019 and the date of this MD&A, the Company had 11,450,000 stock options with exercise price ranging from $0.12 to $0.27 per common share issued and outstanding.

SUBSEQUENT EVENTS

- On January 10, 2020, Western Garden entered into a separate loan agreement with the Company's majority shareholder for $1,200,000.

- On January 14, 2020 and January 16, 2020, Western Garden made capital contributions of $404,000 and $480,000, respectively, to Seaton LP.

- On January 8, 2020, to finance the closing of an additional land purchase in Seaton LP, Seaton LP received a land loan of $1,300,000 from BlueShore Financial Credit Union ("BlueShore"). The loan is secured by a first charge mortgage and assignment of rent over the mortgaged property, a corporate guarantee provided by WGP Seaton and Western Garden, personal guarantees by the officers of Seaton LP, an assignment of the $74,000 debt service reserve placed on deposit by the lender, and a first General Security Agreement over all assets of WGP Seaton specific to the mortgaged property. The interest rate is BlueShore's prime rate plus 1.75% per annum payable monthly, with the principal amount payable at maturity. The mortgage matures on January 8, 2021, extension beyond the initial 12 months shall attract a fee of 1% on the outstanding loan.

(Expressed in Canadian Dollars)

RELATED PARTY TRANSACTIONS

Payments to key management personnel

The Company's key management personnel include the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and members of the Board of Directors. Payments to key management personnel included in consulting fees in the net income (loss) and mineral property, plant and equipment are as follows:

	For the three months ended	
	December 31, 2019	**December 31, 2018**
	$	**$**
Charged to the statement of loss and comprehensive loss		
Consulting fees	81,250	129,500
Bonus	-	105,000
Share-based payments	26,043	-
	107,293	234,500
Capitalized mineral property, plant and equipment		
Consulting fees	60,923	40,500
Salaries and wages	30,000	-
Bonus	36,000	-
Share-based payments	42,965	-
	169,888	40,500
	277,181	275,000

Other related party transactions

- On November 18, 2019, the Company received an unsecured non-interest-bearing bridge loan ("Bridge Loan") from a company which is controlled by an officer of the Company of $6,600,000. The Bridge Loan was fully repaid by the Company on December 13, 2019 and December 19, 2019 in payments of $2,000,000 and $4,600,000, respectively.

- On September 12, 2019, the Company entered into a Credit Facility Agreement for an aggregate amount of $40,000,000 from the Company's major shareholder. During the three months ended December 31, 2019, $30,000,000 was advanced from the Credit Facility Agreement. None of the Advanced Amount was repaid during the three months ended December 31, 2019.

  As of December 31, 2019, interest payable related to the Credit Facility Agreement is $124,068.

- Accounts payable at December 31, 2019 includes $74,188 in fees outstanding to directors and officers (September 30, 2019 – $214,564).

All related party transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

SEGMENTED INFORMATION

The Company operates in two reportable operating segments, being the acquisition, exploration and development of mineral properties and the investment in real estate projects in Canada. Segmented information is as follows:

	Real estate $	Mineral properties $	Total $
For the three months ended December 31, 2019			
Interest and other income (expense)	-	176,322	176,322
Operating expenses	(32,644)	(504,191)	(536,835)
Loss for the period	(32,644)	(327,869)	(360,513)
For the three months ended December 31, 2018			
Interest and other income (expense)	646,060	102,993	749,053
Operating expenses	44,312	864,161	908,473
Net income (loss) for the period	601,748	(761,168)	(159,420)
As at December 31, 2019			
Total assets	36,265,046	191,044,885	227,309,931
Non-current assets	35,454,656	183,332,924	218,787,580
Current assets	810,390	7,711,961	8,522,351
Total liabilities	(9,669,884)	(46,328,102)	(55,997,986)
Non-controlling interest	(2,514,000)	-	(2,514,000)
As at September 30, 2019			
Total assets	33,950,695	163,983,028	197,933,723
Non-current assets	33,851,505	154,748,832	188,600,337
Current assets	99,190	9,234,196	9,333,386
Total liabilities	(9,512,380)	(25,321,106)	(34,833,486)
Non-controlling interest	(2,514,000)	-	(2,514,000)

FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 17 of our unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the audited consolidated financial statements for the year ended September 30, 2019.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements requires management to use judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could materially differ from these estimates. Refer to note 3 of our unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019 and note 2 of our annual audited consolidated financial statements for the year ended September 30, 2019 for a more detailed discussion of the critical accounting estimates and judgments.

ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2019.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual financial statements.

- **IFRS 16** – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company applied this new standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of October 1, 2019.

- **IFRIC 23** – Uncertainty over Income Tax Treatments: This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that there will be no significant change to its financial statements from adopting this new standard.

The impacts on the adoption of the new accounting policy was provided in note 3 of our unaudited condensed consolidated interim financial statements for the three months ended December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements in place.

PROPOSED TRANSACTIONS

None

RISKS AND UNCERTAINTIES

Risk Factors Relating to The Company's Business

The Company's ability to finance and develop the Milestone Project to production, generate revenues and profits from its natural resource properties, or any other resource property that it may acquire, currently or in the future, is dependent upon a number of factors. For a detailed discussion of these factors faced by the Company, please refer to the most recent Annual Information Form dated December 19, 2019

Readers are cautioned that the projected mining method, potential production profile as well as plan and mine plan referred to in the Pilot Study completed by AGAPITO in 2016 are conceptual in nature and additional technical studies will be required in order to fully assess their viability. There is no certainty that a potential mine will be realized or that a production decision will be made. A mine production decision that is made without a feasibility study carries additional potential risks that include, but are not limited to, the inclusion of inferred mineral resources, which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mine design and mining schedules, metallurgical flow sheets and process plant designs will require additional detailed work and economic analysis and internal studies to ensure satisfactory operational conditions and decisions regarding future targeted production. The Pilot Study is a preliminary economic assessment, is preliminary in nature and includes inferred mineral resources, which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that inferred resources will be converted to the measured and indicated categories, that the measured and indicated resources will be converted to the proven and probable mineral reserve categories and there is no certainty that the Pilot Study will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability; the estimate of mineral resources in the Pilot Study may be materially affected by environmental, permitting, legal, title, taxation, social-political, marketing, or other relevant issues.

Going concern risk

The core business of the Company is to develop its Milestone Project. The recoverability of the amounts shown for mineral property, plant and equipment is dependent upon the ability of the Company to obtain the necessary financing to complete the development of its property, and upon future profitable production. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. In order to continue developing its Milestone Project, management is actively pursuing such additional sources of financing; however, in the event this does not occur, there is doubt about the ability of the Company to continue as a going concern.

Environmental Risks and Hazards

All phases of the Company's mineral 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 regulations, laws and permits, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Commodity price risk

The Company is exposed to commodity price risk. Commodity price risk is defined as the potential impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of potash, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company's future profitability and viability of development depends upon the world market price of potash. Potash prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of potash are produced in the future, a profitable market will exist for them. A decline in the market price of potash may also result in the Company reducing its mineral resources, which could have a material and adverse effect on the Company's value. The Company is not a potash producer as of December 31, 2019. Therefore, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Project risks

The Milestone Phase I Project is a demonstration plant, and as such there are a number of technical and economic risks. The most significant risk is lower than expected potash sales prices, which has the largest effect on project economics. There are exchange rate and tariff risks, but these are somewhat mitigated by the likely effect of sales price.

There are a number of technical and construction risks associated with the innovative use of selective horizontal solution mining. In particular, the risks include drilling the cavern, long-term potash recovery rates, construction CAPEX costs, sustaining and operating costs. The Company is working with a number of construction strategies to plan for strict control of the construction costs, and engaging leading engineering firms to leverage their experience. To maintain potash recovery rates, additional well drilling is planned during operations and drilling costs have been included in the sustaining CAPEX. However, actual conditions in the caverns (including geological, flow and dissolution) may be overestimated in the cavern production models. This risk is partially mitigated by early hot mining which will build up an inventory of potash in the crystallization pond and prove actual mining rates.

Weather conditions (including snow and flooding) may affect both the construction schedule and operations (in particular road restrictions may reduce the ability to ship product off-site). The Company has developed contingency plans to minimize the risk associated with weather events, including flexibility in construction schedules, contingencies, appropriate productivity factors, and product shipping plans. These include on-site storage and conducting an annual plant maintenance shutdown during the period of spring road bans.

The development of the Phase I Milestone Project will include the construction and operation of mines, processing plants and related infrastructure. As a result, the Company is and will continue to be subject to all of the risks associated with establishing new mining operations, including risks relating to the availability and cost of skilled labour, mining equipment, fuel, power, materials and other supplies; the ability to obtain all necessary governmental approvals and permits; potential opposition from non-governmental organizations, environmental groups or local residents; and the availability of funds to finance construction and development activities. It is common for new mining operations to experience unexpected costs, problems and delays during construction, development, and mine start-up. Accordingly, the Company cannot provide assurance that its activities will result in profitable mining operations at the Phase I plant. If there are significant delays in when the Phase I Milestone Project is completed and is producing on a commercial and consistent scale, or its capital costs were to be significantly higher than estimates, these events could have a significant adverse effect on the Company's results of operation, cash flow from operations and financial condition.

Financial Instruments

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in Note 17 of the unaudited condensed interim consolidated financial statements for the three months ended December 31, 2019. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to Note 17 of the unaudited condensed interim consolidated financial statements for the three months ended December 31, 2019.

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, term deposits, accounts and other receivables, the carrying value of which represents the Company's maximum exposure to credit risk. Cash and cash equivalents and term deposits are held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. At December 31, 2019 the Company's principal credit risk relating to its accounts and other receivables, which is primarily comprised of goods and services taxes recoverable from the Government of Canada for which minimal credit risk exists. Details regarding the accounts receivable are included in Note 17 of the unaudited condensed interim consolidated financial statements for the three months ended December 31, 2019.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had cash of $1,078,317 and a credit facility for an amount up to $40,000,000 (Note 10), to settle accounts payable and accrued liabilities of $21,969,793. The mortgage on real estate properties under development is due on October 5, 2020 with an option to extend the mortgage for two additional 6-month periods. The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available credit facilities, changes in commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2019.

The Company's loan payable is not subject to interest rate risk as it is not subject to a variable interest rate.

The Company is exposed to interest rate risk through the mortgage on real estate properties under development, which bear interest at variable rates. Based on the outstanding amount as of December 31, 2019, a 1% change in

ICBK's prime rate would result in approximately $95,000 change to the Company's net loss for the three months ended December 31, 2019.

Foreign currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars ("CAD"). The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash and accounts payable and accrued liabilities are held in CAD and United States dollars ("USD"); therefore, USD accounts are subject to fluctuation against the CAD.

The Company's financial instruments were denominated as follows as at December 31, 2019:

	CA$	**US$**
Cash	998,948	61,110
Term deposits, including restricted cash	4,560,417	-
Accounts receivable	2,465,068	-
Other financial assets	101,763	-
Other assets	1,981,327	-
Accounts payable and accrued liabilities	(18,044,385)	(3,022,334)
Deposit liabilities	(7,210)	-
Mortgage on real estate properties under development	(9,500,000)	-
Loan payable	(21,674,782)	-
	(39,118,854)	**(2,961,224)**
Rate to convert to $1.00 CAD	1.00	1.30
Equivalent to CAD	**(39,118,854)**	**(3,846,038)**

Based on the above net exposures as at December 31, 2019, and assuming that all other variables remain constant, a 1% change of the CAD against the USD would change profit or loss by approximately $38,000.

DISCLOSURES CONTROLS & PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting ("ICFR") during the three months ended December 31, 2019, that have materially affected or are reasonably likely to materially affect, its ICFR.