CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2021
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited interim financial statements of Western Resources Corp. for the three and six months ended March 31, 2021 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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Western Resources Corp.
Condensed Consolidated Interim Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)

	Notes	March 31, 2021 $	September 30, 2020 $
ASSETS			
Current assets			
Cash		2,632,930	6,711,404
Term deposits, including restricted cash	4	3,264,130	3,220,683
Loan receivable from associate	7	-	525,764
Other current assets	5	494,711	710,187
		6,391,771	**11,168,038**
Non-current assets			
Mineral property, plant and equipment	6	223,636,503	214,118,951
Investment in associates	7	9,061,630	10,223,829
Real estate properties under development	8	26,133,770	24,875,902
Other assets	9	4,334,711	4,381,817
		263,166,614	**253,600,499**
TOTAL ASSETS		**269,558,385**	**264,768,537**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	42,976,537	39,125,305
Promissory notes	11	4,320,000	4,320,000
Current portion of lease obligations	12	80,640	90,924
Mortgage on real estate properties under development	8	13,977,262	13,010,836
Current portion of payable on legal settlement	15	543,873	534,845
		61,898,312	**57,081,910**
Long term liabilities			
Lease obligations	12	-	31,272
Asset retirement obligation	13	3,702,535	3,679,603
Loans payable	14	27,377,003	26,518,359
Payable on legal settlement	15	352,722	510,649
Financing arrangement	16	8,046,426	7,773,398
		39,478,686	**38,513,281**
TOTAL LIABILITIES		**101,376,998**	**95,595,191**
SHAREHOLDERS' EQUITY			
Share capital	17	231,128,066	231,106,466
Contributed surplus		29,041,993	28,985,540
Treasury shares	17	(762,520)	(762,520)
Deficit		(93,722,152)	(92,745,140)
		165,685,387	**166,584,346**
Non-controlling interest	8	**2,496,000**	**2,589,000**
TOTAL SHAREHOLDERS' EQUITY		**168,181,387**	**169,173,346**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**269,558,385**	**264,768,537**
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These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Guy Bentinck Director **/s/ Wenye Xue Director**

Western Resources Corp.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)

(Expressed in Canadian Dollars)

		For the three months ended		For the six months ended	
	Notes	March 31, 2021 $	March 31, 2020 $	March 31, 2021 $	March 31, 2020 $
EXPENSES					
Consulting fees		91,250	119,296	205,466	245,296
Depreciation	6	35,726	50,849	71,321	100,828
Office and miscellaneous expenses		121,311	89,600	203,724	159,291
Professional fees		84,699	163,009	235,337	329,222
Salaries, wages and benefits		60,565	65,509	117,840	148,685
Share-based payments (recovery)	17	8,000	35,418	(9,765)	77,194
Loss before other income (expenses)		**(401,551)**	**(523,681)**	**(823,923)**	**(1,060,516)**
Other income (expenses)					
Interest income		26,264	41,342	58,692	114,106
Other income		127,302	(374,452)	311,677	(252,380)
Loss on legal settlement	15	-	(1,624,214)	-	(1,624,214)
Finance costs	25	(249,190)	(41,842)	(526,925)	(60,356)
Share of loss from investment in associates	7	44,851	310,164	30,123	310,164
		(50,773)	**(1,689,002)**	**(126,433)**	**(1,512,680)**
Loss before income taxes		**(452,324)**	**(2,212,683)**	**(950,356)**	**(2,573,196)**
Income tax expense		(26,656)	-	(26,656)	-
Deferred tax recovery		-	373,836	-	2,657,746
Income (loss) and comprehensive income (loss) for the period		**(478,980)**	**(1,838,847)**	**(977,012)**	**84,550**
Income (loss) and comprehensive income (loss) attributable to:					
Equity holders of the parent		(478,980)	(1,838,847)	(977,012)	84,550
		(478,980)	**(1,838,847)**	**(977,012)**	**84,550**
Basic and diluted loss per share for the period attributable to common shareholders ($ per common share)		**(0.00)**	**(0.01)**	**(0.01)**	**0.00**
Weighted average number of common shares outstanding - basic and diluted		**186,136,820**	**186,096,820**	**186,116,600**	**186,096,820**

(Expressed in Canadian Dollars)

	Note(s)	Share capital: Number of shares	Share capital: Amount	Reserves	Treasury shares	Deficit	Total	Non-controlling interest	Total
Balance at September 30, 2019		**186,874,220**	**231,106,466**	**21,317,514**	**(762,520)**	**(91,075,223)**	**160,586,237**	**2,514,000**	**163,100,237**
Impact of change in accounting policy		-	-	-	-	(4,442)	**(4,442)**	-	**(4,442)**
Adjusted balance as at October 1, 2019		**186,874,220**	**231,106,466**	**21,317,514**	**(762,520)**	**(91,079,665)**	**160,581,795**	**2,514,000**	**163,095,795**
Shareholders' contributions, net of tax		-	-	7,185,756	-	-	**7,185,756**	-	**7,185,756**
Share-based payments		-	-	227,733	-	-	**227,733**	-	**227,733**
Initial contribution		-	-	-	-	-	**-**	221,000	**221,000**
Net income for the period		-	-	-	-	84,550	**84,550**	-	**84,550**
Balance at March 31, 2020		**186,874,220**	**231,106,466**	**28,731,003**	**(762,520)**	**(90,995,115)**	**168,079,834**	**2,735,000**	**170,814,834**
Balance at September 30, 2020		**186,874,220**	**231,106,466**	**28,985,540**	**(762,520)**	**(92,745,140)**	**166,584,346**	**2,589,000**	**169,173,346**
Shares issued for cash - exercise of stock options		180,000	21,600	-	-	-	**21,600**	-	**21,600**
Share-based payments	17	-	-	56,453	-	-	**56,453**	-	**56,453**
Net changes in non-controlling interest	8	-	-	-	-	-	**-**	(93,000)	**(93,000)**
Net loss for the period		-	-	-	-	(977,012)	**(977,012)**	-	**(977,012)**
Balance at March 31, 2021		**187,054,220**	**231,128,066**	**29,041,993**	**(762,520)**	**(93,722,152)**	**165,685,387**	**2,496,000**	**168,181,387**

(Expressed in Canadian Dollars)

	Notes	For the six months ended March 31, 2021 $	March 31, 2020 $
Cash flows from (used in) OPERATING ACTIVITIES			
Net income (loss) for the period		(977,012)	84,550
Adjustments for items not affecting cash:			
Deferred tax recovery		-	(2,657,746)
Finance costs	25	526,925	36,729
Depreciation	6	71,321	100,828
Interest income		(58,692)	(114,106)
Other		(26,378)	714
Share-based payments (recovery)	17	(9,765)	77,194
Share of loss from investment in associates	7	(30,123)	(310,164)
Net changes in non-cash working capital items and other items			
Other current assets	5	200,018	(266,262)
Other assets		47,106	-
Accounts payable and accrued liabilities	6,10	(98,299)	(121,993)
Interest received		30,210	40,942
Payments on legal settlement	15	(100,000)	1,624,214
Cash flow used in operating activities		**(424,689)**	**(1,505,100)**
INVESTING ACTIVITIES			
Acquisition of mineral property, plant and equipment	6	(4,968,602)	(33,050,512)
Investments in associates	7	(309,300)	(1,514,909)
Repayment of loan receivable to associates	7	525,764	-
Real estate properties under development	8	(1,257,868)	(2,414,328)
Return of equity in investment in associate	7	1,501,622	-
Acquisition of term deposits		(741,965)	-
Proceeds from redemption of term deposits		727,000	223,000
Cash flow used in investing activities		**(4,523,349)**	**(36,756,749)**
FINANCING ACTIVITIES			
Net changes in non-controlling interest		(93,000)	221,000
Lease payments	12	(45,462)	(45,462)
Mortgage on real estate properties under development	8	966,426	1,300,000
Proceeds from short-term loan		-	6,600,000
Repayment of short-term loan		-	(6,600,000)
Proceeds from loan payable	14	20,000	35,000,000
Proceeds from promissory notes	11	-	2,200,000
Proceeds on exercise of options	17	21,600	-
Cash flow from financing activities		**869,564**	**38,675,538**
Decrease in cash		**(4,078,474)**	**413,689**
Cash, beginning of period		**6,711,404**	**2,217,828**
Cash, end of period		**2,632,930**	**2,631,517**
Supplemental cash flow information	18		

See accompanying notes to these unaudited condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Western Resources Corp. ("the Company") was incorporated on January 16, 2017 under the British Columbia Business Corporations Act.

These unaudited condensed consolidated interim financial statements 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 March 31, 2021, the Company does not have significant sources of revenues and has not generated positive cash flow from operations. On May 14, 2020, the Company's wholly owned subsidiary, Western Potash Corp. ("Western Potash") delayed the completion date of construction of the Phase I Milestone Potash Project ("Milestone Project") plant in order to seek additional funding to complete construction. Western Potash has entered into various capital expenditure commitments for the procurement and construction of the Milestone Project with a remaining committed amount of $15,400,000 (Note 21). As at March 31, 2021, the Company has a working capital deficit of $55,506,541 including cash of $2,632,930. Furthermore, various vendors have filed builders' liens for up to $33,182,310 against Western Potash as a result of its delayed payment on the outstanding payables related to mineral property, out of which a few vendors have also filed legal claims against Western Potash (Note 10). The Company's legal counsel is currently working directly with the vendors on a temporary solution to mitigate legal action. Based on its current cash flow forecast and its existing obligations and commitments, the Company will require further funds for the completion of construction, to successfully commission the Milestone Project and to fund its general and administrative expenses for the remainder of the 2021 fiscal year.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on Company's ability to continue as a going concern. These 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.

The Company continues to work with potential investors to complete the final tranche of funding, as well as pursuing alternative sources of financing including equity and debt financing, and seeking investors to participate in the Company's interest in its real estate partnerships or to sell the Company's interest in these partnerships in order to complete the remaining construction activities, to commission the Milestone Project and to fund general and administrative expenses. However, there are no assurances that the Company will be successful in obtaining such equity or debt financing. In the longer term, additional financing may be required to expand the mining operation at the Milestone Project if the cash flows of the Phase I Milestone Project plant are not sufficient to fund such expansion. Furthermore, as the Company has not yet completed construction or commenced commissioning of the Phase I plant, there are no guarantees that the Phase I plant will operate as expected, or that the Company will be able to complete construction of the plant based on the revised timelines and on budget. Material cost overruns, should they occur, may also require additional financing. The ability of the Company to continue as a going concern and the recoverability of amounts shown for mineral property, plant and equipment is dependent upon the ability of the Company to obtain necessary financing to complete the development and upon future profitable production from the Milestone Project and the recoverability of investments in real estate projects.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business and results of operations. Potential impacts could include further delay in completing of construction due to inability to obtain additional financing, a temporary cessation of construction due to a localized outbreak at the Milestone Project or in Company's supply chain, the impact and potential impairments in the value of our long-lived assets, including the Company's real estate investments, or potential decreases in future revenue to the extent potash prices are impacted.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condensed consolidated interim financial statements comprise the accounts of the Company and its subsidiaries and have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed consolidated interim financial statements have been prepared using the accounting policies, determination of significant estimates and judgements, and corresponding accounting treatment consistent with the Company's annual audited financial statements for the year ended September 30, 2020, except for new standards adopted during the six months ended March 31, 2021 as described below (Note 3).

These unaudited condensed consolidated interim financial statements of the Company for the three and six months ended March 31, 2021 were approved by the Board of Directors on May 14, 2021.

Basis of Presentation and Functional Currency

These condensed consolidated interim financial statements do not include all of the information required to be included in annual financial statements prepared in accordance with IFRS and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended September 30, 2020. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

All amounts are expressed in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

Restatement of consolidated financial information for the three and six months ended March 31, 2021

During the audit for the year ended September 30, 2020, the Company recognized a deferred tax recovery of $2,657,746 in the statements of loss and comprehensive loss related to the $35,000,000 related party loan payable, of which $35,000,000 was advanced during the six months ended March 31, 2020.

The Company restated the financial information for the three and six months ended March 31, 2020 to reflect the effect of the adjustments described above.

The following table summarizes the impact of the statements of income (loss) and comprehensive income (loss) for the three and six months ended March 31, 2020 and the statements of cash flow for the six months ended March 31, 2020:

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restatement of consolidated financial information for the three and six months ended March 31, 2020 (continued)

Effect on statements of loss and comprehensive loss

	For the three months ended March 31, 2020			For the six months ended March 31, 2020		
	As previously presented	Change	As restated	As previously presented	Change	As restated
	$	$	$	$	$	$
Deferred tax recovery	-	373,836	373,836	-	2,657,746	2,657,746
Income (loss) for the period	(2,212,683)	373,836	(1,838,847)	(2,573,196)	2,657,746	84,550
Total comprehensive income (loss)	(2,212,683)	373,836	(1,838,847)	(2,573,196)	2,657,746	84,550
Basic and diluted earnings (loss) per share for the period attributable to common shareholders ($ per common share)	(0.01)	0.00	(0.01)	(0.01)	0.00	0.00

Effect on statements of cash flows

	For the six months ended March 31, 2020		
	As previously presented	Change	As restated
	$	$	$
OPERATING ACTIVITIES			
Net income (loss) for the period	(2,573,196)	2,657,746	84,550
Deferred tax recovery	-	(2,657,746)	(2,657,746)
Cash flow used in operating activities	(1,505,100)	-	(1,505,100)

There were no changes in cash flows provided by investing and financing activities.

3. NEW ACCOUNTING STANDARDS

Accounting Standards Issued but Not Yet Effective

The following amended standard has been issued but has not yet been applied in these unaudited condensed consolidated interim financial statements:

IAS 16 – Property, Plant and Equipment

On May 14, 2020, the IASB published a narrow scope amendment to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022. The amendment does not currently impact the consolidated financial statements but the Company is assessing the effect that the narrow scope amendment may have on the accounting for the future commencement of production at the Milestone project.

(Expressed in Canadian Dollars)

4. TERM DEPOSITS, INCLUDING RESTRICTED CASH

Term deposits as of March 31, 2021 include the following restricted cash items:

	March 31, 2021 $	September 30, 2020 $
Collateral for construction of infrastructure	2,387,760	2,387,760
Collateral for equipment purchases	53,663	56,923
Collateral to secure banking facility for real estate	745,225	727,000
Interest receivable related to term deposits	77,482	49,000
	3,264,130	**3,220,683**

The above term deposits support letters of credit issued as security for committed expenditures and banking facilities.

5. OTHER CURRENT ASSETS

	March 31, 2021 $	September 30, 2020 $
Goods and services tax receivable	243,125	324,334
Prepaid expenses	188,468	307,277
Marketable securities	63,118	78,576
	494,711	**710,187**

6. MINERAL PROPERTY, PLANT AND EQUIPMENT

The Company owns a 100% interest in the Milestone Project located in the province of Saskatchewan under various property leases. The Company’s rights to these properties are subject to a renewable 21-year Crown Lease issued by the Saskatchewan Ministry of Energy and Resources and renewable freehold leases. Those leases provide the Company with full and exclusive rights to mine Crown owned subsurface minerals and privately-owned subsurface minerals, including potash. Annual lease payments total approximately $420,000.

A continuity of mineral property interests and property, plant and equipment are as follows:

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Mineral interests and mine development costs	Asset retirement obligation	Construction in progress	Property and office equipment	Right-of-use assets	Total
		$	$	$	$	$	$
Cost							
As at September 30, 2020		**89,674,854**	**3,619,978**	**120,245,681**	**1,087,372**	**196,068**	**214,823,953**
Additions		86,619	-	9,499,254	3,000	-	9,588,873
As at March 31, 2021		**89,761,473**	**3,619,978**	**129,744,935**	**1,090,372**	**196,068**	**224,412,826**
Accumulated Depreciation							
As at September 30, 2020		**-**	**-**	**-**	**(623,870)**	**(81,132)**	**(705,002)**
Depreciation for the period		-	-	-	(30,755)	(40,566)	(71,321)
As at March 31, 2021		**-**	**-**	**-**	**(654,625)**	**(121,698)**	**(776,323)**
Net book value							
As at September 30, 2020		**89,674,854**	**3,619,978**	**120,245,681**	**463,502**	**114,936**	**214,118,951**
As at March 31, 2021		**89,761,473**	**3,619,978**	**129,744,935**	**435,747**	**74,370**	**223,636,503**

The additions for the construction in progress during the six months ended March 31, 2021 included the following:

	March 31, 2021	September 30, 2020
	$	$
Capitalized interest on loans payable	1,540,338	2,510,853
Share-based payments	31,198	263,397
Amounts included in accounts payable and accrued liabilities	40,102,598	37,088,883
	41,674,134	**39,863,133**

7. INVESTMENT IN AND LOAN RECEIVABLE FROM ASSOCIATES

Investment in Associates	FB Burrard LP $	FB Robinson LP $	WGP LP $	Total $
As at September 30, 2020	**1,805,716**	**5,155,354**	**3,262,759**	**10,223,829**
Contributions	-	247,200	62,100	**309,300**
Return of equity investment	(1,501,622)	-	-	**(1,501,622)**
Share of income (loss) from investment in associates	44,851	-	(14,728)	**30,123**
As at March 31, 2021	**348,945**	**5,402,554**	**3,310,131**	**9,061,630**
Loan Receivable from Associates				
As at September 30, 2020	**525,764**	**-**	**-**	**525,764**
Repayment of loan receivable	(525,764)	-	-	(525,764)
As at March 31, 2021	**-**	**-**	**-**	**-**

7. INVESTMENT IN AND LOAN RECEIVABLE FROM ASSOCIATES (CONTINUED)

a) Investment in Associates

FB Burrard Development Limited Partnership ("FB Burrard LP")

As of March 31, 2021, the Company had a 72.31% limited partnership interest in FB Burrard LP which is in the business of developing a real estate project in Vancouver, British Columbia. Western Potash is obligated to fund 72.31% of FB Burrard LP's development and construction costs not financed by bank financing obtained by FB Burrard LP and any cost over runs. However, the aggregate amount which the limited partners are required to contribute to the Partnership in the form of capital contributions will not exceed $6,500,000, of which Western Potash's share is $4,700,150. If FB Burrard LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Burrard LP. On January 27, 2021, FB Burrard LP replaced its existing construction loan with a new loan approved for an amount up to $6,700,000, of which $5,312,055 was outstanding as of March 31, 2021. The Company continues to be the guarantor and the maximum liability under this guarantee is limited to $3,350,000 plus interest and costs. Cash flows will be distributed to the partners initially in accordance with their respective capital contribution until the initial capital contribution has been recovered; subsequent distributions to the Company are limited to 52.31% of profit as defined in the partnership agreement. For the six months ended March 31, 2021, the Company recognized estimated share of income of $44,851 from real estate sales.

FB Robinson Development Limited Partnership ("FB Robinson LP")

As of March 31, 2021, the Company had an 80% interest in FB Robinson LP which is in the business of developing a real estate project in Coquitlam, British Columbia. The Company is obligated to fund 80% of FB Robinson LP's development and construction costs not financed by bank financing and any cost over runs. The aggregate amount which the limited partners are required to contribute to FB Robinson LP in the form of capital contributions will not exceed $8,500,000, of which the Company's share is $6,800,000. If FB Robinson LP needs further funding, the limited partners, have the right, but not the obligation to, loan funds to FB Robinson LP. Cash flows will be distributed to the partners initially in accordance with their respective capital contributions until the initial capital contribution has been recovered and subsequent distributions to the Company are limited to 60% of profit as defined in the partnership agreement. As of March 31, 2021, the partnership units in FB Robinson LP were pledged as security for all of the promissory notes as discussed in Note 11.

FB 234 Third Avenue Development Limited ("FB Third")

As of March 31, 2021, the Company had a 10.125% interest in FB Third LP, which is developing a real estate project in Vancouver, British Columbia, through its 45% ownership interest in WGP Investment Limited Partnership ("WGP LP"). See below for a further discussion of WGP LP.

WGP LP and all limited partners will advance capital to FB Third LP by way of additional capital contributions to fund the costs of the acquisition of the development lands and the development cost of the project proportionate to its respective ownership interest. The aggregate amount which the limited partners are required to contribute to FB Third LP in the form of capital contributions will not exceed $12,000,000 of which WGP LP's share is $2,700,000, and the Company's obligation to fund WGP LP is $1,215,000. If FB Third LP needs further funding, the limited partners, have the right, but not the obligation to, loan funds to FB Third LP. Cash flow and allocation of net income and losses from FB Third LP will be distributed to the limited partners, pro rata in accordance with their respective proportionate interest.

On December 10, 2018, FB Third LP secured a land loan of $10,000,000 and the Company provided a corporate guarantee for the loan limited to a maximum of $2,250,000 plus interest and costs. The guarantee provided by the Company on the land loan is not affected by the transfer of the units of FB Third LP to WGP LP.

(Expressed in Canadian Dollars)

7. INVESTMENT IN AND LOAN RECEIVABLE FROM ASSOCIATES (CONTINUED)

a) Investment in Associates (Continued)

Alabaster (Spires 2) Limited Partnership ("Alabaster LP")

As of March 31, 2021, the Company has a 36% interest in Alabaster LP through its ownership interest in WGP LP. WGP LP and all limited partners will advance capital to Alabaster LP by way of additional capital contributions to fund the costs of the acquisition of the development lands and the development cost of the project proportionate to their respective ownership interest. The aggregate amount which the limited partners are required to contribute to Alabaster LP in the form of capital contributions will not exceed $8,075,000 of which WGP LP's share is $6,460,000, and the Company's obligation to fund WGP LP is $2,907,000. If Alabaster LP needs further funding, the limited partners have the right but not the obligation to loan funds to Alabaster LP. During the year ended September 30, 2020, the Company and its subsidiary Western Garden provided a limited corporate guarantee of up to $3,345,000 for a land loan by Alabaster LP to acquire land for development. The guarantees provided by the Company is not affected by the transfer of the units of Alabaster LP to WGP LP. Cash flow and allocation of net income and losses from Alabaster LP will be distributed to WGP LP until its capital contribution has been recovered and a specified rate of return on funds invested has been achieved. Subsequent distributions to WGP LP are limited to 50% of profit as defined in the partnership agreement.

WGP Investment Limited Partnership ("WGP LP")

WGP LP was created as an investment vehicle to allow new limited partners to invest in the Company's real estate projects. As of March 31, 2021, the Company has a 45% interest in WGP LP. During the six months ended March 31, 2021, the Company contributed $62,100 to WGP LP for capital contributions in FB Third and recognized a loss of $14,728 as its share of loss from investment in associate. As of March 31, 2021, WGP LP has net assets of $7,558,272 of which $4,936,000 relates to its interest in Alabaster LP and $2,620,125 relates to its interest in FB Third LP which continue to be accounted for using the equity method of accounting.

The below table summarizes the financial information of FB Burrard LP, FB Robinson LP, FB Third LP and Alabaster LP for the six months ended March 31, 2021:

	FB Burrard Development Limited Partnership $	FB Robinson Development Limited Partnership $	FB 234 Third Avenue Development Limited Partnership $	Alabaster (Spires 2) Limited Partnership $
As at March 31, 2021				
Land and capitalized development cost	7,736,489	13,373,812	21,904,227	12,547,711
Other assets	578,919	51,083	41,768	39,835
Mortgage on properties and other long-term debt	(6,907,980)	(6,324,000)	(10,038,219)	(6,489,407)
Other liabilities	(313,112)	(1,895)	(60,275)	(6,835)
Net income (loss)	62,027	-	-	-

b) Loans Receivable from Associates

On August 11, 2020, the Company advanced a loan of $525,764 to FB Burrard LP to fund continuous marketing and interest cost on the remaining homes. The loan is interest free and the full amount of the loan was repaid on February 25, 2021. The effect of discounting on the fair value of the advance on initial recognition was not material. No additional loans receivable was advanced during the six months ended March 31, 2021.

(Expressed in Canadian Dollars)

8. REAL ESTATE PROPERTIES UNDER DEVELOPMENT

Investment in Seaton LP

The following table summarizes information related to the Seaton project consolidated by the Company and the 20% non-controlling interest in WGP Seaton:

	March 31, 2021 $	September 30, 2020 $
ASSETS		
Current Assets	209,358	917,648
Non-current Assets		
Real estate properties under development	26,133,770	24,875,902
Other assets	137,944	185,050
	26,481,072	25,978,600
LIABILITIES		
Current Liabilities	(14,001,072)	(13,033,600)
	(14,001,072)	(13,033,600)
Net assets	**12,480,000**	**12,945,000**
Net asset attributable to the NCI	**2,496,000**	**2,589,000**

Mortgage on real estate properties under development

To finance the project, Seaton LP obtained the following mortgages to finance the land purchases:

	Footnote	March 31, 2021 $	September 30, 2020 $
Mortgage amount at prime rate plus 1.35% per annum payable monthly, with the principal amount payable on maturity date April 5, 2021. On April 5, 2021, the Company extended the maturity date for an additional 6-month periods to October 5, 2021.	1	9,530,660	9,500,000
Mortgage amount at prime rate plus 1.75% per annum payable monthly, with the principal amount payable on the maturity date of January 8, 2021, which was renewed on January 15, 2021 to extend the maturity date to January 22, 2022.	2	1,300,000	1,300,000
Principal up to $4,500,000 at an interest rate of the greater of 10% per annum, or the prime rate of Royal Bank of Canada (“RBC”) plus 6% per annum, payable monthly, with the principal amount payable on August 1, 2021 and the option to extend the maturity date for additional 6 months.	3	3,146,602	2,210,836
		13,977,262	13,010,836

1) Mortgage is secured by a first charge on the mortgaged properties, a corporate guarantee by the Company of up to $7,600,000, a General Security Agreement over all assets of WGP Seaton and certain of the Company's term deposits in Note 4.

2) Mortgage is secured by a first charge on the mortgaged property, a corporate guarantee by the Company and personal guarantees by the officers of Seaton LP, and a General Security Agreement over all assets of WGP Seaton specific to the mortgaged property.

3) Mortgage is secured by a charge on the mortgaged property; the Company provides a corporate guarantee of up to 80% of the loan amount. During the six months ended March 31, 2021, additional $920,000 was advanced.

(Expressed in Canadian Dollars)

8. REAL ESTATE PROPERTIES UNDER DEVELOPMENT (CONTINUED)

Subsequent to March 31, 2021, the Company received $2,000,000 in promissory note from WGP Seaton. The principal amount is due on May 26, 2021 and the promissory note is non-interest bearing.

9. OTHER ASSETS

	March 31, 2021 $	September 30, 2020 $
Term deposits for credit card facility	184,000	184,000
Security deposits	12,767	12,767
Deposits for storage facility	2,000,000	2,000,000
Other deposits	137,944	185,050
Collateral for asset retirement obligation	2,000,000	2,000,000
	4,334,711	**4,381,817**

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	March 31, 2021 $	September 30, 2020 $
Trade payables		231,279	203,909
Trade payable related to mineral property	6	40,102,598	37,088,883
Accrued liabilities		385,656	340,334
Interest payable related to loan payable	14	1,863,143	1,171,923
Interest payable related to promissory note	11	388,989	194,393
Other payables		4,872	122,478
Security deposit payable		-	3,385
		42,976,537	**39,125,305**

As of March 31, 2021, various vendors have filed builders' liens for up to $33,182,310 against Western Potash as a result of its delayed payment on the outstanding payables related to mineral property, plant and equipment. Certain of these vendors have also filed legal claims against Western Potash in amounts totaling $4,460,429. All of these amounts have already been recorded in trade payable related to mineral property and no additional provisions have been made. Certain liens filed by the contractors were duplicated by their subcontractors, resulting in a higher lien amount than actual payables. The Company's legal counsel is currently working directly with the vendors on a temporary solution to mitigate legal action.

(Expressed in Canadian Dollars)

11. PROMISSORY NOTES

As at March 31, 2021 and September 30, 2020, the Company had the following unsecured promissory notes issued to various note holders:

Term	Interest Rate per Annum	Footnote	March 31, 2021 $	September 30, 2020 $
On demand upon written notice by the Note Holder	8%	1	820,000	820,000
On demand upon written notice by the Note Holder	8%	1	2,700,000	2,700,000
Note payable on maturity date of May 8, 2021	12%	2	500,000	500,000
Note payable on maturity date of June 8, 2021	12%	3	300,000	300,000
As at March 31, 2021			**4,320,000**	**4,320,000**
Accrued interest expense			**388,989**	**194,393**

1) Issued to a party related to an officer of the Company.
2) Issued to the Company's majority shareholder.
3) Issued to an unrelated party.

As of March 31, 2021, the partnership units in FB Robinson LP were pledged as security for all of these promissory notes. Subsequent to March 31, 2021, the Company received $2,000,000 in promissory note from WGP Seaton. The principal amount is due on May 26, 2021 and the promissory note is non-interest bearing.

12. LEASE OBLIGATIONS

As at March 31, 2021, future minimum lease payments for the Company's obligations under finance lease are as follows:

	$
As at September 30, 2020	**122,196**
Add: Interest	3,906
Less: Payments	(45,462)
As at March 31, 2021	**80,640**

	$
Minimum lease payments for each fiscal year:	
2021	45,462
2022	37,885
	83,347
Amount representing interest	(2,707)
Total	**80,640**
Current	**80,640**
Long-term	-

The Company concluded that certain arrangements were not within the scope of IFRS 16 because they are arrangements for the use of land that grant the Company the right to explore, develop, produce or otherwise use the mineral resource contained in that land. In addition, the Company does not recognize a lease liability for leases with terms to maturity of less than 12 months. Payments related to such arrangements are expensed as incurred. During the six months ended March 31, 2021, the Company recognized $59,952 in development cost and net loss related these arrangements.

(Expressed in Canadian Dollars)

13. ASSET RETIREMENT OBLIGATION

A continuity of the asset retirement obligation is as follows:

Asset Retirement Obligation	$
As at September 30, 2020	**3,679,603**
Interest expense	22,932
As at March 31, 2021	**3,702,535**

The asset retirement obligation at the date of the statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the asset retirement obligation and associated asset. The Company's obligation is secured by a $2,000,000 cash deposit (Note 9).

14. LOANS PAYABLE

	Related Party Loan Payable	Canada Emergency Business Account (CEBA)	Total
	$	$	$
As at September 30, 2020	**26,495,427**	**22,932**	**26,518,359**
Amounts advanced during the period	-	20,000	20,000
Fair value discount	-	(12,163)	(12,163)
Accretion of interest	1,540,338	1,689	1,542,027
Cash interest payable transferred to accounts payable and accrued liabilities	(691,220)	-	(691,220)
As at March 31, 2021	**27,344,545**	**32,458**	**27,377,003**

Related Party Loan Payable

On September 12, 2019, the Company entered into a Credit Facility Agreement for an aggregate amount of $40,000,000 from the Company's majority shareholder of which $35,000,000 was advanced from this Credit Facility Agreement as of March 31, 2021. The Company capitalized $1,540,338 (September 30, 2020 - $2,510,853) in loan interest to mineral property, plant and equipment and reclassified $691,220 (September 30, 2020 - $1,171,923) from loan payable to accounts payable and accrued liabilities to reflect cash interest payable during the six months ended March 31, 2021.

Canada Emergency Business Account (CEBA)

On December 15, 2020, the Company received an additional $20,000 COVID-19 relief line of credit from the Canada Small Business Financing Program as support for businesses impacted by COVID-19. The line of credit is non-interest bearing until December 31, 2022 (the "Term Period") and 25% of the amount will be forgiven if the Company repays the amount before the Term Period. For accounting purposes, the Company calculated the fair value of the CEBA loan to be $7,837 and recognized this amount as government grant under Other Income (Expenses).

(Expressed in Canadian Dollars)

15. PAYABLE ON LEGAL SETTLEMENT

Amarillo Gold Corporation

On April 15, 2020, Western Potash entered into a legal settlement agreement with Amarillo Gold Corporation ("Amarillo") to resolve the disputes in respect of certain taxes and penalties related to 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 payable on legal settlement and a corresponding loss on settlement of legal claim was recognized as of March 31, 2021:

	$
As at September 30, 2020	**1,045,494**
Payments made during the period	(150,000)
Interest expense	30,774
Effect of changes in foreign currency exchange	(29,673)
As at March 31, 2021	**896,595**
Current portion of payable on legal settlement	543,873
Non-current portion of payable on legal settlement	352,722

16. FINANCING ARRANGEMENT

	Financing Arrangement $
As at September 30, 2020	**7,773,398**
Interest expense	273,028
As at March 31, 2021	**8,046,426**

Western Potash through its subsidiary BC Ltd entered into an agreement to sell the ownership of certain Phase II and Phase III vacant farm-lands (the "Property") for gross proceeds of $8,300,000 on condition that Western Potash will repurchase the Property back by July 7, 2022 for $9,300,000. The Company has the option to extend the repurchase date to July 7, 2023 at which time the Company will pay $9,700,000. As the transaction has a right to repurchase the property at a future date, the Company accounted for the transaction as a "financing arrangement". The obligation is recognized at its amortized cost using an effective interest rate of 8.5%.

17. SHARE CAPITAL

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares issued without par value.

Issued share capital

On March 12, 2021, 180,000 stock options with exercise price of $0.12 per commons shares were exercised for total proceeds of $21,600. As of March 31, 2021, the Company had 187,054,220 common shares (September 30, 20210 - 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.

(Expressed in Canadian Dollars)

17. SHARE CAPITAL (CONTINUED)

Stock options

The changes in stock options during the six months ended March 31, 2021 are as follows:

	Number outstanding	Weighted average exercise price $
Balance, September 30, 2020	**12,450,000**	**0.158**
Granted	1,200,000	0.167
Exercised	(180,000)	0.120
Cancelled	(465,000)	0.160
Forfeited	(1,085,000)	0.158
Balance, December 31, 2020	**11,920,000**	**0.159**

On November 16, 2020, an additional 400,000 stock options with an exercise price of $0.17 and expiry date of November 15, 2025 were granted to a director which vest 30% in the first three years with the remainder vesting on the fourth anniversary date. The Company determined the fair value of these stock options to be $43,840 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.46%, expected life of 5 years, 0% forfeiture rate, expected volatility of 82% and dividend rate of 0%.

On March 15, 2021, an additional 800,000 stock options with an exercise price of $0.165 and expiry date of March 14, 2026 were granted to directors which vest 30% in the first three years with the remainder vesting on the fourth anniversary date. The Company determined the fair value of these stock options to be $87,680 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 0.79%, expected life of 5 years, 0% forfeiture rate, expected volatility of 81% and dividend rate of 0%.

During the six months ended March 31, 2021, the Company recognized total $56,453 (March 31, 2020 – $227,733) of share-based payments of which $9,765 (March 31, 2020 – $77,194) was charged to the statement of loss as a recovery due to reversal of certain forfeited stock options, and $66,218 (March 31, 2020 – $150,539) was capitalized to mineral property, plant and equipment.

The following summarizes information about stock options outstanding and exercisable at March 31, 2021:

Expiry date	Exercise price ($)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
May 28, 2024	0.120	7,720,000	2,280,000	450,080	3.16
June 27, 2024	0.185	2,000,000	600,000	279,600	3.24
April 23, 2025	0.185	1,000,000	300,000	135,700	4.07
November 15, 2025	0.170	400,000	120,000	43,840	4.63
March 14, 2026	0.165	800,000	200,000	87,680	4.96
		11,920,000	**3,500,000**	**996,900**	**3.42**
Weighted average exercise price ($)		**0.141**	**0.141**		

(Expressed in Canadian Dollars)

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Notes	For the six months ended March 31, 2021 $	March 31, 2020 $
Non-cash financing and investing activities			
Cash interest payable transferred to accounts payable and accrued liabilities	10, 14	885,816	467,580
Interest expense on loan payable capitalized as mineral property, plant and equipment	14	1,540,338	982,624
Share-based payments capitalized as mineral property, plant and equipment	17	66,218	150,539
Mineral property, plant and equipment costs included in accounts payable and accrued liabilities	6, 10	3,013,715	9,672,389
Others			
Contribution from shareholders	14	-	9,843,502

19. 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 the net loss and mineral property, plant and equipment are as follows:

	For the six months ended March 31, 2021 $	March 31, 2020 $
Charged to the statement of loss		
Consulting fees	173,347	171,161
Share-based payments (recovery)	(5,255)	71,378
	168,092	242,539
Capitalized mineral property, plant and equipment		
Consulting fees	-	60,000
Salaries and wages	120,000	120,923
Bonus	20,000	36,000
Share-based payments	43,475	85,463
	183,475	302,386
Total payments to key management personnel	**351,567**	**544,925**

Other related party transactions

- On September 12, 2019, the Company entered into a Credit Facility Agreement for an aggregate amount of $40,000,000 from the Company's majority shareholder of which $35,000,000 was advanced and outstanding from the Credit Facility Agreement (Note 14). During the six months ended March 31, 2021, interest payable of $691,220 related to the Credit Facility Agreement was included in accounts payable and accrued liabilities (September 30, 2020 - $1,171,923).

- As of March 31, 2021, the Company had promissory notes with a total face value of $4,020,000 issued to the Company's majority shareholder and officer (Note 11). Additional related interest of $176,515 was accrued and included in accounts payable and accrued liabilities during the six months ended March 31, 2021 (September 30, 2020 - $194,393).

(Expressed in Canadian Dollars)

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Other related party transactions (continued)

- Accounts payable at March 31, 2021 includes $115,119 in outstanding fees payable to its directors (September 30, 2020 - $88,334).

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 except for the amount borrowed under the Credit Facility Agreement which was recognized at fair value on the issuance date.

20. 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 six months ended March 31, 2021			
Operating expenses	(68,397)	(755,526)	(823,923)
Interest and other income (expense)	(164,473)	38,040	(126,433)
Income tax expense	-	(26,656)	(26,656)
Net loss for the period	(232,870)	(744,142)	(977,012)
For the six months ended March 31, 2020			
Operating expenses	(126,715)	(933,801)	(1,060,516)
Interest and other income (expense)	286,537	(1,799,217)	(1,512,680)
Deferred tax recovery	-	2,657,746	2,657,746
Net income (loss) for the period	159,822	(75,272)	84,550
As at March 31, 2021			
Total assets	20,756,661	248,801,724	269,558,385
Non-current assets	20,446,613	242,720,001	263,166,614
Current assets	310,048	6,081,723	6,391,771
Total liabilities	(18,734,618)	(82,642,380)	(101,376,998)
Non-controlling interest	(2,496,000)	-	(2,496,000)
As at September 30, 2020			
Total assets	36,840,635	227,927,902	264,768,537
Non-current assets	35,360,152	218,240,347	253,600,499
Current assets	1,480,483	9,687,555	11,168,038
Total liabilities	(17,559,896)	(78,035,295)	(95,595,191)
Non-controlling interest	(2,589,000)	-	(2,589,000)

21. COMMITMENTS AND CONTRACTUAL AGREEMENTS

- Western Potash entered into a water supply agreement with respect to the Milestone Project which provides 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. Prior to water usage commencing, the Company is required to pay annual stand by fees. A total of $nil in standby fees were made during the six months ended March 31, 2021 (September 30, 2020 - $110,726). Half of the commitment fee and the standby fees 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

21. COMMITMENTS AND CONTRACTUAL AGREEMENTS (CONTINUED)

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 has ended. 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 commencing no later than May 31, 2021. The Commencement Date for product delivery was subsequently extended to November 30, 2022 on January 13, 2021. Under the new terms, if the new Commencement Date is not established by the extended date, but daily production rate is above that necessary to achieve 50% of the total committed annual capacity, the Commencement Date deadline shall be further extended for one more year, until November 30, 2023.

- Western Potash has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project. As of March 31, 2021, total capital expenditure commitments are approximately $15,400,000.

- As of March 31, 2021, the Company has non-exclusive financial advisory agreements with various third parties to assist in raising money for the purpose of completing the Milestone Project. Pursuant to these agreements, the Company is required to pay to an introduced investor, upon the completion of an equity or debt financing, a mutually agreed success fee.

22. CONTINGENCIES

The Company is involved in various claims and other matters in the ordinary course of business. In additional to the legal claims and builders' liens against Western Potash related to the delayed payment of outstanding payables disclosed in Note 10 of the unaudited condensed consolidated interim financial statements for the six months ended March 31, 2021, the Company has the following contingency:

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 payment in an amount of $1,439,056 for a success fee and additional service fee allegedly owed to it. It is the position of the Company that none of the triggering events occurred and that no amount is currently payable to Lockwood. The matter is on hold due to the withdrawal of Lockwood's legal counsel on March 8, 2019. The Company, in consultation with its legal counsel, has assessed as at March 31, 2021 that Lockwood's claim will not be successful.

23. FINANCIAL INSTRUMENTS

Fair value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable (supported by little or no market activity) prices.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

As of March 31, 2021, investments in marketable securities of other public entities are included in other current assets and were recorded at fair value on the statement of financial position with changes to fair value recognized in profit or loss. The Company's investments in marketable securities have been valued using Level 1 inputs. As of March 31, 2021, the Company have loan payable (Note 14) which was recognized on issuance using level 2 inputs. The carrying values of the Company's cash, term deposits, accounts receivables, deposits (current and non-current), accounts payable, deposit liabilities, mortgage on real estate properties under development, promissory notes, payable on legal settlement, and loan payable approximate their fair value at March 31, 2021 due to their short terms to maturity, associated market-based interest rates, or based on expected future cash flows and discount rates applicable to the instruments.

Financial risk management

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.

- ***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, other current assets, and loan receivable from associate, the carrying value of which represents the Company's maximum exposure to credit risk.

  Cash and cash equivalents, term deposits other deposits included in other assets are held with reputable Canadian financial institutions, from which management believes the risk of loss is minimal.

(Expressed in Canadian Dollars)

23. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

- ***Credit risk (continued)***

As at March 31, 2021, other current assets include goods and services taxes recoverable from the Government of Canada for which minimal credit risk exists. The Company's primary credit risk relates to the loan receivable from associate. Details regarding the loan receivable from associate are included in Note 7 (b).

- ***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 March 31, 2021, the Company had cash of $2,632,930 and a credit facility with an undrawn amount of $5,000,000 (Note 14).

The Company's major liabilities and obligations mature as follows:

	1 Year $	2 Year $	3 Year $
Accounts payable and accrued liabilities	42,976,537	-	-
Mortgage on real estate properties under development	13,977,262	-	-
Loans payable	-	40,000	35,000,000
Promissory notes	4,320,000	-	-
Payable on legal settlement	543,873	301,976	50,746
Financing arrangement	-	-	9,700,000
Total undiscounted value	**61,817,672**	**341,976**	**44,750,746**
Carry value as of March 31, 2021	**61,817,672**	**334,434**	**35,441,717**

The Company will need to raise additional funds to meet its obligations. The Company will exercise its option to extend its terms on the mortgage on real estate properties under development (Note 8). 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 (Note 1).

- ***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is subject to the following market risks:

- ***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 March 31, 2021. The Company's loan payable and promissory notes are not subject to interest rate risk as they are not subject to a variable interest rate.

23. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

- ***Market risk (continued)***

  - ***Interest rate risk (continued)***

The Company is exposed to interest rate risk through the mortgages on real estate properties under development, which bear interest at a variable rate. Based on the outstanding amount as of March 31, 2021, an increase or decrease in the prime rate by 100 basis points would result in an approximately $139,000 change to the Company's interest expense on an annual basis.

  - ***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, United States dollars ("USD"), and Brazilian Real ("BRL"); therefore, USD and BRL accounts are subject to fluctuation against the CAD.

As at March 31, 2021, the Company had the following balances in foreign currency which were subject to foreign exchange risk:

	US$	BRL$
Cash	3,966	-
Term deposits, including restricted cash	42,674	-
Accounts payable and accrued liabilities	(2,949,858)	-
Payable on legal settlement	-	(2,918,348)
	(2,903,218)	**(2,918,348)**
Rate to convert to $1.00 CAD	1.2575	0.2212
Equivalent to CAD	**(3,650,797)**	**(645,539)**

Based on the above net exposures as at March 31, 2021, and assuming that all other variables remain constant, a 1% change of the CAD against the USD and BRL would change profit or loss by approximately $42,000.

24. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its potash properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company includes cash, term deposits, loans payable, promissory notes and the components of shareholders' equity in the management of its capital. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and acquire or dispose of assets. As of March 31, 2021, the Company has total mortgages of $13,977,262 for its real estate properties under development (Note 8), a credit facility with its majority shareholder of $35,000,000 (Note 14), and total promissory notes of $4,320,000 (Note 11) to finance operations.

(Expressed in Canadian Dollars)

24. CAPITAL DISCLOSURES (CONTINUED)

Historically, the Company has been dependent on the capital markets for its operating capital. The Company's capital resources are largely determined by the strength of the resource markets, by the status of the Company's project in relation to those markets, and by its ability to compete for investor support of its project. The Company is not subject to any externally imposed capital requirements. However, it is subject to any regulations and rules imposed by the Toronto Stock Exchange in issuing and/or maintaining debt or equity financings. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

25. FINANCE COSTS

	For the six months ended		
	March 31, 2021 $	March 31, 2020 $	Increase/(Decrease) $
Charged to finance costs			
Interest expense on asset retirement obligation	22,932	29,646	(6,714)
Interest expense on financing arrangements	273,028	-	273,028
Interest expense on government grant	1,689	-	1,689
Interest expense on lease obligations	3,906	7,083	(3,177)
Interest expense on legal settlement	30,774	-	30,774
Interest expense related to promissory notes	194,596	23,627	170,969
	526,925	60,356	466,569