Western resources corp.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Years Ended September 30, 2018
and September 30, 2017

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Western Resources Corp.

We have audited the accompanying consolidated financial statements of Western Resources Corp., which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Western Resources Corp. as at September 30, 2018 and September 30, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP (signed)

Chartered Professional Accountants

December 18, 2018
Vancouver, Canada

WESTERN RESOURCES CORP.
Consolidated Statements of Financial Position
September 30, 2018 and September 30, 2017
(Expressed in Canadian dollars)

	2018	2017
Assets		
Current:		
Cash and cash equivalents	**$ 9,154,280**	$ 1,606,813
Term deposits	**275,021**	54,724,469
Accounts receivable (Note 11 (b))	**327,694**	159,083
Loans receivable from associates (Note 7)	**18,939,401**	3,992,084
Loans receivable (Note 8)	**13,594,304**	-
Prepaid expenses	**13,974**	20,440
Other financial assets	**68,374**	67,510
	42,373,048	60,570,399
Deposits	**127,773**	125,773
Investment in associates (Note 7)	**15,246,979**	5,859,391
Loans receivable (Note 8)	**3,000,000**	-
Investment in Land for Development (Note 9)	**2,515,000**	-
Property and equipment (Note 5)	**450,551**	498,175
Mineral property and development costs (Note 6)	**87,990,368**	81,387,736
	$ 151,703,719	$ 148,441,474
Liabilities		
Current:		
Accounts payable (Note 11 (b))	**$ 1,234,339**	$ 161,691
Deposits	**237,669**	-
	1,472,008	161,691
Shareholders' Equity		
Share capital (Note 10)	**219,985,801**	219,985,801
Contributed surplus	**21,161,490**	21,161,490
Treasury shares (10 (b))	**(762,520)**	(762,520)
Deficit	**(90,153,060)**	(92,104,988)
	150,231,711	148,279,783
Commitments and contractual agreements (Notes 7(a) and 13)		
Contingency (Note 17)		
Subsequent event (Notes 7 (a), 7(b), 8 (b), 9 and 18)		
	$ 151,703,719	**$ 148,441,474**

Approved for issuance by the Directors on December 18, 2018:

"James Moore"

"Wenye Xue"

See accompanying notes to the consolidated financial statements

WESTERN RESOURCES CORP.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Years Ended September 30, 2018 and September 30, 2017
(Expressed in Canadian dollars)

	2018	2017
Expenses:		
Accounting fees	**$ 102,460**	$ 76,038
Amortization	**52,290**	59,690
Bank charges and interest	**2,860**	4,688
Consulting fees (Note 11)	**744,887**	960,423
Filing and regulatory fees	**66,426**	101,750
Investor relations	**82,212**	43,996
Legal fees	**80,752**	192,723
Office and miscellaneous	**119,880**	142,079
Rent	**751,835**	718,889
Salaries, wages, and benefits	**241,852**	132,517
Telephone	**20,093**	26,917
Travel	**86,870**	63,659
Loss before other income (expense)	**(2,352,417)**	(2,523,369)
Other Income (Expense):		
Rental income	**384,153**	287,526
Interest income	**2,143,997**	1,169,749
Income from investment in associates (Note 7)	**1,715,113**	-
Gain (loss) on change in fair value and disposal of investments	**1,211**	(26,785)
Impairment of accounts and loan receivable	**(3,570)**	(105,686)
Other income	**63,441**	-
	4,304,345	1,324,804
Net Income (Loss) and Comprehensive Income (Loss)	**$ 1,951,928**	$ (1,198,565)
Weighted Income (Loss) Per Share - basic and diluted	**$ 0.021**	$ (0.013)
Weighted Average Number of Shares Outstanding	**92,659,710**	92,659,710

See accompanying notes to the consolidated financial statements

WESTERN RESOURCES CORP.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended September 30, 2018 and September 30, 2017
(Expressed in Canadian Dollars)

	Number of Issued and Outstanding Shares	Share Capital ($)	Contributed Surplus ($)	Treasury Shares ($)	Deficit ($)	Shareholders' Equity ($)
Balance, September 30, 2016	93,437,110	219,985,801	21,161,490	(762,520)	(90,906,423)	149,478,348
Net Loss and Comprehensive Loss	-	-	-	-	(1,198,565)	(1,198,565)
Balance, September 30, 2017	93,437,110	219,985,801	21,161,490	(762,520)	(92,104,988)	148,279,783
Net Income and Comprehensive Income	-	-	-	-	1,951,928	1,951,928
Balance, September 30, 2018	93,437,110	219,985,801	21,161,490	(762,520)	(90,153,060)	150,231,711

See accompanying notes to the consolidated financial statements

WESTERN RESOURCES CORP.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2018 and September 30, 2017
(Expressed in Canadian Dollars)

		2018		2017
Operating Activities:				
Income (loss) for the period	$	**1,951,928**	$	(1,198,565)
Adjustment for:				
Amortization		**52,290**		59,690
Impairment of accounts and loan receivable		**3,570**		105,686
Income from investment in associates (Note 7)		**(1,715,113)**		-
(Gain) loss on change in fair value and disposal of investments		**(1,211)**		26,785
Interest income		**(2,143,997)**		(1,169,749)
Other		**347**		-
Changes in non-cash working capital:				
Accounts receivable		**(172,181)**		597,932
Prepaid expenses		**6,466**		17,905
Deposits		**(2,000)**		-
Accounts payable and accrued liabilities (Note 6)		**74,953**		(137,285)
Interest received		**2,154,828**		1,576,557
Cash flows from (used in) operating activities		**209,880**		(121,044)
Investing Activities:				
Acquisition of property and equipment (Note 5)		**(4,666)**		-
Mineral property and development costs (Note 6)		**(5,604,937)**		(4,084,171)
Proceeds on disposal of term deposits		**60,949,448**		68,157,500
Acquisition of term deposits		**(6,500,000)**		(54,287,921)
Investments in associates (Note 7)		**(11,675,300)**		(5,859,391)
Return of investment in associate (Note 7)		**3,248,289**		34,366
Proceeds from sale of investment in associate (Note 7 (a)(i))		**500,000**		-
Acquisition of land for development (Note 9)		**(2,515,000)**		-
Issue of loans to associates (Note 7)		**(18,830,000)**		(3,992,084)
Repayment of loan receivable from associates (Note 7 (b))		**3,992,084**		-
Issue of loans receivable to non-associates (Note 8)		**(22,865,000)**		-
Repayment of loans receivable from non-associates (Note 8)		**6,405,000**		-
Deposits		**237,669**		-
Cash flows provided by (used in) investing activities		**7,337,587**		(31,701)
Net increase in cash and cash equivalents		**7,547,467**		(152,745)
Cash and cash equivalents, beginning		**1,606,813**		1,759,558
Cash and cash equivalents, ending	**$**	**9,154,280**	$	1,606,813

See accompanying notes to the consolidated financial statements

1. Nature Of Operations

Western Resources Corp. ("the Company") was incorporated on January 16, 2017 by Western Potash Corp. ("Western Potash") under the British Columbia Business Corporations Act. The address of its registered head office is Suite 1400 - 1111 West Georgia St., Vancouver, British Columbia, Canada.

On March 31, 2017, Western Potash completed a corporate reorganization by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement") with the Company, pursuant to which the Company acquired all of the issued and outstanding common shares of Western Potash and Western Potash became a wholly-owned subsidiary of the Company.

In the long term, the ability of the Company to continue as a going concern and the recoverability of amounts shown for mineral property and development costs is dependent upon the ability of the Company to obtain necessary financing to complete the development and upon future profitable production from the Milestone potash project (the "Milestone Project") and the recoverability of investments in, and loans to, real estate projects. At September 30, 2018, the Company earns interest, has incurred operating losses since inception and expects to incur further losses during the development and construction of the Milestone Project. However, the Company has a working capital surplus of $40,901,040 as at September 30, 2018 including cash and cash equivalents of $9,154,280 and term deposits of $275,021. Subsequently in October 2018, the Company received a cash distribution of $6,443,293 consisting of a $4,728,180 return of investment in associate and a $1,715,113 representing the Company's share of FB Eighth LP's net profit from the sale of land that completed on September 28, 2018, and $4,915,000 from repayment of loan receivable from associate (Notes 7 (a) (ii) and 7(b)). A portion of the cash was re-invested in a new partnership arrangement (Note 9). The Company also received $9,377,774 on December 11, 2018 from repayment of loan receivable principal of $9,260,000 and interest per Note 7(b). Although the Company believes that its current cash position plus the cash received subsequent to year end is sufficient to fund mine development costs and general and administrative expenses for the next year, the Company will require additional equity or debt financing beyond one year to fund the completion of the construction of a Phase I plant at the Milestone Project and general and administrative expenses and other obligations until commissioning of the plant. 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 Plant are not sufficient to fund such expansion. Furthermore, as the Company has not yet commenced construction or commissioning of the Phase I plant, there are no guarantees that the Phase I plant will operate as expected, if at all, or that the Company will be able to complete construction of the plant on time and on budget. Material cost overruns may also require additional financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. Basis Of Presentation

a) Statement of Compliance:

These consolidated financial statements have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

b) Basis of Presentation and Functional Currency:

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. All amounts are expressed in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

2. Basis Of Presentation (continued)

c) Significant Accounting Judgments and Estimates:

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates and judgments as the basis for determining the stated amounts are as follows:

<u>Valuation of loans receivable</u>

The valuation of loans receivable is based on the discounted estimated future cash flows expected to be received. Such estimates are based on an evaluation of the financial condition of the counter party, security provided by the counter party and the Company's expectations about the timing of repayment. Changes in these assumptions may result in changes to the assessment of whether an impairment loss is recognized and if recognized, the amount of such loss.

<u>Economic recoverability and probability of future economic benefits of mineral property and development costs</u>

In assessing whether indicators of impairment exist, management uses judgement in assessing the impact of changes in commodity prices, discount rates and other economic factors related to the project. Management has determined that mineral property and mine development costs which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans. Changes in these assumptions could result in an impairment loss.

<u>Valuation of investment in associates</u>

The Company is required to assess whether there are indicators of impairment associated with investments in associates at the end of each reporting period and if such indicators exist, recognize an impairment loss. The assessment of these indicators is based on an evaluation of the business underlying the investment. Judgements and estimates are required with respect to whether there will be a sufficient return from real estate sales in order to recover the Company's investment. An impairment charge would be based on discounted estimated future cash flows expected to be received from the investments. Such estimates are based on an evaluation of the financial condition and operating results of invested associates. Changes in these assumptions may result in an impairment charge being recognized or in changes to the amount of an impairment loss recognized.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by all group entities and for all periods.

a) Principles of Consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Western Potash Corp., 0907414 B.C. Ltd., Western Garden Properties Corp. (companies incorporated in the province of British Columbia), and Milestone Potash Corp. (a company incorporated in the province of Saskatchewan). All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation.

b) Cash and Cash Equivalents:

The Company considers all highly liquid investments with maturities when purchased of three months or less to be cash equivalents.

c) Investments in associates:

Associates are all entities over which the Company has significant influence but not control, generally when the Company's shareholding is between 20% and 50% of the voting rights. Associates also includes joint ventures. Joint ventures are arrangements whereby there is contractually agreed sharing of control of an arrangement by the Company and other unrelated parties and the parties have rights to the net assets of the arrangement. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The Company's share of post-acquisition profit or loss is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income (loss) with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

d) Property and Equipment:

Property and equipment is recorded at cost less accumulated amortization. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management, including estimated decommissioning and restoration costs and, where applicable, borrowing costs. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of plant and equipment. Amortization is calculated using the declining balance method at the following annual rates:

Building	4%
Automobiles	30%
Computer Hardware	50%
Computer Software	100%
Furniture and Fixtures	20%

3. Significant Accounting Policies (continued)

d) Property and Equipment (continued):

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

e) Exploration and evaluation expenditures:

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures including acquisition costs, are capitalized. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined and sufficient funds have been obtained to commence development, the property is considered to be a mine under development. Accordingly, the accumulated exploration and evaluation expenditures are tested for impairment and then reclassified to “mineral property and development costs”.

f) Mineral property and development costs:

Mine development costs are recorded at cost. Costs include reclassified exploration and evaluation expenditures, feasibility and other technical studies, engineering and design costs, depreciation on equipment used during the development phase, borrowing costs, if applicable, and other costs incurred to bring a mine into production. These costs are not amortized until the mine is operating as intended by management at which time the costs will be amortized using the units of production method. Mineral property and development costs are tested for impairment whenever there are indicators that suggest that the carrying value is not recoverable. Costs not directly attributable to development activities, including general administrative overhead costs, are expensed in the period in which they occur.

g) Income Taxes:

Income taxes comprises current and deferred income tax expense. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax expense is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for amendments to tax payable or receivable in respect of previous years.

Deferred tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the amounts used for tax purposes. Deferred tax assets and liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively

3. Significant Accounting Policies (continued)

g) Income Taxes (continued):

enacted at the reporting date.

Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses only to the extent that it is probable that there will be taxable profits against which deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

h) Basic and Diluted Income (Loss) Per Share:

Basic income (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted income per share reflect adjustments to the weighted average number of common shares outstanding for the potential dilution of securities, including stock options that could share in income of the Company. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted income (loss) per share are the same for all periods presented.

i) Share-based Compensation:

The Company has an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

j) Financial Instruments:

<u>Financial Assets</u>

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(i) Fair Value Through Profit or Loss

This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are recognized in the statement of financial position at fair value with changes in fair value recognized in profit or loss. Investments in common shares of other public entities are included in other financial assets are classified as financial assets at fair value through profit or loss.

(ii) Loans and Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value and subsequently recognized at amortized cost less any provision for impairment, determined on an individual

3. Significant Accounting Policies (continued)

(ii) Loans and Receivables (continued)

basis. Cash and cash equivalents, term deposits, accounts receivable, distribution receivable, loans receivable, loan receivable from associate and deposits are classified as loans and receivables.

(iii) Held-to-Maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are recognized at amortized cost using the effective interest method.

The Company does not have any held-to-maturity financial assets.

(iv) Available-for-Sale Financial Assets

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are recognized at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss. The Company does not have any investments classified as available for sale.

Financial Liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

(i) Fair Value Through Profit or Loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are recognized in the statement

of financial position at fair value with changes in fair value recognized in profit or loss. The Company does not have any liabilities classified as financial liabilities at fair value through profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are recognized initially on the date the Company becomes a party

to the contractual provisions of the instrument. After initial recognition, other financial liabilities are recognized at amortized cost using the effective interest method until the contractual obligations are discharged, cancelled or expired. Accounts payable and accrued liabilities are classified as other financial liabilities.

k) Impairment

Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; and the likelihood that the borrower will enter bankruptcy or financial reorganization.

3. Significant Accounting Policies (continued)

k) Impairment (continued)

The carrying amount of financial assets is reduced by an impairment loss directly for all financial assets with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. Impairment losses are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

Non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that an impairment loss exists. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows that the asset or cash generating unit is expected to generate along with the expected costs to complete the project are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

l) Foreign Currency Translation:

Foreign currency transactions are translated into the Canadian dollar functional currency using the prevailing exchange rates on the date of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period, are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing exchange rates on the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the prevailing exchange rates on the date when the fair value was determined.

m) Provision for Decommissioning and Restoration:

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning and restoration liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The cost of such obligation is included in property and equipment or mineral property and development cost, as applicable, and are depreciated on the same basis as the

3. Significant Accounting Policies (continued)

m) Provision for Decommissioning and Restoration (continued)

related asset. Following the initial recognition of the decommissioning and restoration liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at September 30, 2018 and September 30, 2017, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

4. Accounting Standards Issued But Not Yet Effective

a) IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Company will adopt IFRS 9 on October 1, 2018. Other than additional disclosure requirements, adoption of the new standard may impact the valuation of the Company's loans and receivable. The Company is in the process of quantifying the impact that the expected credit loss model will have on the carrying values of loans to associates and loans receivable.

b) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company will adopt IFRS 15 on October 1, 2018. Adoption of IFRS 15 will not have any impact on the financial statements. However, it will affect how the Company accounts for future revenue contracts when the Milestone project commences operations.

c) IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 – Leases which replaces IAS 17 – Leases and its associated interpretative guidance. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The Company will adopt IFRS 16 on October 1, 2019. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

5. Property And Equipment

	Building	Automobiles	Computer Hardware	Computer Software	Furniture & Fixtures	Leasehold Improvements	Total
Cost							
Balance, Sept 30, 2016	$ 371,211	$ 89,587	$ 6,376	$ 64,692	$ 393,919	$ 48,271	$ 974,056
Additions	-	-	-	-	-	-	-
Balance, Sept 30, 2017	371,211	89,587	6,376	64,692	393,919	48,271	974,056
Additions	-	-	4,666	-	-	-	4,666
Balance, Sept 30, 2018	$ 371,211	$ 89,587	$ 11,042	$ 64,692	$ 393,919	$ 48,271	$ 978,722
Accumulated Amortization							
Balance, Sept 30, 2016	$ 7,424	$ 85,197	$ 1,594	$ 64,692	$ 235,561	$ 21,723	$ 416,191
Additions	14,657	1,317	2,391	-	31,672	9,653	59,690
Balance, Sept 30, 2017	22,081	86,514	3,985	64,692	267,233	31,376	475,881
Additions	13,965	922	2,411	-	25,337	9,655	52,290
Balance, Sept 30, 2018	$ 36,046	$ 87,436	$ 6,396	$ 64,692	$ 292,570	$ 41,031	$ 528,171
Carry Amounts							
Balance, Sept 30, 2017	$ 349,130	$ 3,073	$ 2,391	$ -	$ 126,686	$ 16,895	$ 498,175
Balance, Sept 30, 2018	$ 335,165	$ 2,151	$ 4,646	$ -	$ 101,349	$ 7,240	$ 450,551

6. Mineral Properties And Mine Development Costs

The Company owns a 100% interest in the Milestone Project located in the province of Saskatchewan. The Company's rights to these properties is 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 approximate $460,000.

A continuity of mineral property interests and mine development costs is as follows:

	2018	2017
Balance, beginning of year	**$ 81,387,736**	$ 77,303,565
Additions:		
Consulting fees and wages	**945,490**	1,444,838
Engineering fees	**1,175,565**	1,354,359
Land and mineral lease payments	**463,528**	920,335
Water agreement	**301,370**	-
Waterwell drilling	**2,349,262**	-
Aggregates, roads and construction	**1,073,523**	-
Other project costs	**293,894**	364,639
Balance, end of year	**$ 87,990,368**	**$ 81,387,736**

The additions above include expenditures totalling $1,040,755 (2017 - $43,061) incurred but not yet paid and thus have been included in accounts payable and accrued liabilities.

7. Investment In Associates And Loans Receivable From Associates

During the years ended September 30, 2018 and September 30, 2017, to increase return on its excess cash and cash equivalents and term deposits, the Company entered into a number of arrangements with Formwerks Boutique Investments Ltd. (Formwerks), a Vancouver based real estate development company, to develop real estate projects.

Investment in Associates	FB Burrard	FB Eighth	FB Robinson	FB Third Ave	Total
At September 30, 2017	$ 4,800,000	$ 1,059,391	$ -	$ -	$ 5,859,391
Contributions	400,000	3,668,789	5,300,261	2,306,250	11,675,300
Return of equity investment	(2,608,289)	-	(640,000)	-	(3,248,289)
Sale of investments in associates	(500,000)	-	-	-	(500,000)
Elimination of interest income earned from associates	(92,348)	-	(113,383)	(48,805)	(254,536)
Income from investment in associates		1,715,113			1,715,113
At September 30, 2018	**$ 1,999,363**	**$ 6,443,293**	**$ 4,546,878**	**$ 2,257,445**	**$ 15,246,979**

Loans Receivable from Associates	FB Burrard	FB Eighth	FB Robinson	FB Third Ave	Total
At September 30, 2017	$ 3,992,084	$ -	$ -	$ -	$ 3,992,084
Additions to loans receivable	-	4,915,000	4,655,000	9,260,000	18,830,000
Interest receivables	-	21,007	19,895	68,499	109,401
Loan repayment	(3,992,084)	-	-	-	(3,992,084)
At September 30, 2018	**$ -**	**$ 4,936,007**	**$ 4,674,895**	**$ 9,328,499**	**$ 18,939,401**

(a) Investment in associates:

(i) FB Burrard:

On June 1, 2017, the Company’s wholly owned subsidiary Western Garden Properties Corp. (“Western Garden"), signed a shareholder agreement with Formwerks to set up FB Burrard Development Ltd. (“FB Burrard”). Western Garden and Formwerks each own a 50% voting interest in FB Burrard. Amongst other things, the shareholder agreement requires unanimous consent by Western Garden and Formwerks for decisions related to all relevant activities of FB Burrard. Accordingly, the Company has concluded that it jointly controls FB Burrard with Formwerks and accounts for its investment using the equity method. FB Burrard is the general partner of FB Burrard Development Limited Partnership (“FB Burrard LP”). The Company’s wholly owned subsidiary Western Potash and Formwerks are the limited partners of FB Burrard LP with Western Potash initially contributing 80% of the equity contributions to FB Burrard LP. FB Burrard LP is in the business of developing a real estate project on 16th Avenue in Vancouver, British Columbia.

In December 2017, the Company sold 500,000 units of its Class A Units in FB Burrard LP representing 7.69% of the total outstanding Class A units, to WGEP Investment Management LLP (“WGEP”), a partnership where two officers of the Company are partners, for total cash proceeds of $500,000. No gain or loss was recognized as the consideration was equal to the carrying value of these units. Cash flow from FB Burrard LP will be distributed to the Partners initially according to their respective capital contributions until the initial capital contribution has been recovered and a specified rate of return on funds invested has been achieved. Subsequent distributions on Western Potash’s Class A Units of FB Burrard LP are limited to 52.31% of the profit as defined in the agreement.

7. Investment In Associates And Loans Receivable From Associates (Continued)

(a) Investment in associates (continued):

(i) FB Burrard (continued)

Western Potash, Formwerks and WGEP are obligated to fund 72.31%, 20% and 7.69%, respectively, of FB Burrard LP's development and construction costs not financed by bank financing obtained by FB Burrard LP's 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. If FB Burrard LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Burrard LP. During the year ended September 30, 2017, the Company contributed $4,800,000 to FB Burrard LP and a further $400,000 was contributed in the year ended September 30, 2018.

On July 26, 2018 FB Burrard LP secured a construction loan with a credit limit of $12,500,000 for its development project and the Company is a guarantor for this construction loan. The maximum liability under this guarantee is limited to $6,250,000 plus interest and costs. As a result of the financing, FB Burrard LP distributed $2,608,289 to the Company as a return of equity.

(ii) FB Eighth:

On August 15, 2017, Western Garden and Western Potash entered into a similar arrangement with Formwerks to develop a real estate project in New Westminster, British Columbia. Western Garden and Formwerks jointly control FB Eighth Development Limited ("FB Eighth"), the general partner of FB Eighth Development Limited Partnership ("FB Eighth LP") in which Western Potash and Formwerks have an 80% and 20% interest, respectively. Amongst other things, the shareholder agreement requires unanimous consent by Western Garden and Formwerks for decisions related to all relevant activities of FB Eighth. Accordingly, the Company has concluded that it jointly controls FB Eighth with Formwerks and accounts for its investment using the equity method. Cash flows from FB Eighth LP will be allocated similar to that of FB Burrard LP as described above. Western Potash and Formwerks are obligated to fund 80% and 20%, respectively, of FB Eighth LP's development and construction costs not financed by bank financing obtained by FB Eighth LP and any cost over runs. The aggregate amount which the limited partners are required to contribute to FB Eighth LP in the form of capital contributions will not exceed $5,500,000. If FB Eighth LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Eighth LP. During the year ended September 30, 2017, the Company contributed $1,059,391 to FB Eighth LP and a further $3,668,789 was contributed in the year ended September 30, 2018.

On May 22, 2018, FB Eighth LP accepted an offer to sell the land beneficially owned by FB Eighth LP for a total sale price of $15,350,000. The sale was completed on September 28, 2018. The Company recognized $1,715,133 in income from associate related to its share of the net gain from the sale of the land. On October 3, 2018, FB Eighth LP distributed $6,443,293 representing the Company's capital contributions of $4,728,180 and the Company share of net gain from the sale of the land of $1,715,113. Additionally, FB Eighth LP repaid the loan provided in Note 7 (b).

7. Investment In Associates And Loans Receivable From Associates (Continued)

(iii) FB Robinson:

On September 20, 2017, Western Garden and Western Potash entered into a third similar arrangement with Formwerks to develop a real estate project in Coquitlam, British Columbia. The Company initially invested a total of $5,300,260 for its 80% interest in FB Robinson Development Limited Partnership ("FB Robinson LP") in which FB Robinson Development Limited ("FB Robinson") is the general partner, and Western Potash and Formwerks are the limited partners. $640,000 of its initial investment was subsequently returned to the Company as it was not required to fund FB Robinson LP's operations. Amongst other things, the shareholder agreement requires unanimous consent by Western Garden and Formwerks for decisions related to all relevant activities of FB Robinson. Accordingly, the Company has concluded that it jointly controls FB Robinson with Formwerks and accounts for its investment using the equity method. Cash flows from FB Robinson LP will be allocated similar to that of FB Burrard LP as described above. 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. If FB Robinson LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Robinson LP.

(iv) FB Third Ave:

On June 22, 2018, Western Garden entered into a shareholders' agreement with Formwerks, 1168930 B.C. Ltd. ("1168930"), CWC Group Enterprises Ltd. ("CWC"), and 1168387 B.C. Ltd ("1168387") to invest in FB 234 Third Avenue Development Limited ("FB Third"). Western Garden, Formwerks, 1168930 and CWC each hold a 22.5% voting interest in FB Third and 1168387 holds a 10% voting interest. Amongst other things, the shareholder agreement of FB Third requires unanimous consent by all the shareholders for decisions related to all relevant activities of FB Third. Accordingly, the Company has concluded that it jointly controls FB Third and accounts for its investment using the equity method. FB Third is the general partner of FB 234 Third Development Limited Partnership ("FB Third LP") which is developing a real estate project in Vancouver, British Columbia. Western Garden, Formwerks, 1168930 and CWC each hold a 22.5% limited partnership interest in FB Third LP, and 1168387 holds a 10% limited partnership interest. Western Garden 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 $10,000,000 of which Western Garden's share is $2,250,000. 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. Western Garden has made total capital contributions of $2,306,250 to FB Third LP as of September 30, 2018.

On December 10, 2018, FB Third LP received a land loan from Canadian Western Bank ("CWB") 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. FB Third LP repaid the loan provided in Note 7(b) of $9,260,000 plus interest in full to the Company on December 11, 2018.

7. Investment In Associates And Loans Receivable From Associates (Continued)

Summarized financial information of FB Burrard LP, FB Eighth LP, FB Robinson LP and FB Third LP are as follows:

	FB Burrard LP	FB Eighth LP	FB Robinson LP	FB Third LP
Land and capitalized development cost	$ 11,548,361	$ -	$ 10,549,439	$ 19,371,936
Other assets	39,863	14,005,016	8,775	192,435
Current liabilities	(3,726)	(341,560)	(77,888)	(54,371)
Mortgage on properties and other long term debt	(8,691,589)	-	-	-
Loan payable to Western Potash	-	(4,915,000)	(4,655,000)	(9,260,000)
Net income	-	(2,858,521)	-	-

All development costs are capitalized by FB Burrard LP, FB Eighth LP, FB Robinson LP, and FB Third LP.

(b) Loans receivable from associates:

In order to facilitate the acquisition of three land lots by FB Burrard LP during the year ended September 30, 2017, the Company provided a loan to FB Burrard LP in the amount of $3,992,084. The loan bore interest at the Canadian Western Bank prime rate plus 1.5% per annum. Interest on the loan was payable monthly. The loan principal of $3,992,084 plus accrued interest was repaid in full to the Company on July 18, 2018.

During the year ended September 30, 2018, the Company provided a similar loan to FB Eighth LP in the amount of $4,915,000 to facilitate the acquisition of land. The loan bears interest at the Canadian Western Bank prime rate plus 1.5% per annum. Interest on the loan is payable monthly. The loan principal $4,915,000 and accrued interest of $21, 007 was repaid to the Company in full on October 10, 2018.

During the year ended September 30, 2018, the Company also provided a loan to FB Robinson LP in the amount of $4,655,000 to facilitate the acquisition of land. The loan bears interest at the Canadian Western Bank prime rate plus 1.5% per annum. Interest on the loan is payable monthly. The loan matures on December 15, 2018. The loan is secured by a first charge security on the acquired land.

During the year ended September 30, 2018, the Company provided a loan to FB Third LP in the amount of $9,260,000 to facilitate the acquisition of land. The loan bears interest at 9% per annum until October 28, 2018 and bears interest at 12% thereafter. Interest on the loan is payable monthly. The loan matures on December 28, 2018. The loan is secured by a first charge security on the acquired land. The loan principal of $9,260,000 plus accrued interest was repaid to the Company in full on December 11, 2018.

8. Loans Receivable

	Sept 30, 2018	Sept 30, 2017
Nexst Clive Development Limited Partnership (a)	**$ 8,460,000**	$ -
1148114 B.C. Ltd. (b)	**5,000,000**	-
0942388 B.C. Ltd. (c)	**3,000,000**	-
Accrued interest	**134,304**	-
	16,594,304	-
Less current portion	**13,594,304**	-
	$ 3,000,000	$ -

a) Nexst Clive Development Limited Partnership.

The Company has advanced a first mortgage loan of $8,460,000 to Nexst Clive Development Limited Partnership ("Nexst"), an unrelated company, for acquisition of land for real estate development on December 27, 2017. The loan bore interest at the Canadian Western Bank ("CWB") prime rate of 3.45% plus 2.8% per annum up to June 20, 2018; currently bears interest at the CWB prime rate plus 4.8% per annum until December 20, 2018 and will bear interest at 29.0% per annum thereafter to the maturity date of March 20, 2019. Interest on the loan is payable monthly. The loan is secured by a first charge security on the acquired land, all the current securities, shares, units and the equity interests owned by Nexst. The individual directors of Nexst are also guarantors of the loan.

b) 1148114 B.C. Ltd.

On January 29, 2018, the Company advanced a first mortgage loan of $8,905,000 to 1148114 B.C. Ltd. ("1148114 BC"), an unrelated company, for acquisition of real estate property. The loan bore interest at 8.0% per annum to April 30, 2018, and at 18.0% per annum until July 29, 2018. Interest is payable monthly. The loan is secured by a first charge security on the acquired property, all the current securities, shares, units and other equity interests owned by 1148114 BC, and the individual shareholders of 1148114 BC as guarantors. On July 20, 2018, principal of $3,905,000 was repaid to the Company. In addition, the maturity date of the loan was extended from July 29, 2018 to July 30, 2019, with interest at 8% per annum to August 31, 2018, interest at 12% per annum from September 1, 2018 to April 29, 2019, and 18% per annum thereafter.

c) 0942388 B.C. Ltd.

On March 28, 2018, the Company advanced a first mortgage loan of $3,000,000 to 0942388 B.C. Ltd ("0942388 BC"), an unrelated company, for real estate development related activity. The loan bore interest at 10% per annum to September 28, 2018, and currently bears interest at 20% per annum until the maturity date of December 28, 2019. Interest is accrued daily and payable quarterly. The loan is secured by a first ranking security interest in a real estate property located in Vancouver, a first ranking security interest over the property in 0942388 BC, and the chairman of 0942388 BC provided personal guarantee for the loan.

d) The Company also advanced a loan of $2,500,000 with a 6% interest per annum to NextPacific Development Group Ltd. ("NextPacific"), an unrelated company, for acquisition of land for real estate development on December 21, 2017. The principal and interest were repaid in full to the Company in February 2018.

9. Investment In Land For Development

On May 3, 2018, the Company's wholly owned subsidiary Western Garden Properties Corp. ("Western Garden") made an offer of $20,380,000 to purchase 9 residential unit lots which could permit the development of townhouses in the City of Coquitlam. As of September 30, 2018, the Company had paid a deposit of $2,515,000 related to the proposed purchase.

On October 1, 2018, Western Garden entered into arrangement with Formwerks, as limited partners in WGP Seaton Development Limited Partnership ("Seaton LP"), to develop this real estate project with Western Garden holding an 80% interest and Formwerks a 20% interest. Western Garden and Formwerks are obligated to fund 80% and 20%, respectively, of Seaton LP's development and construction costs not financed by bank financing and any cost over runs. The $2,515,000 deposit was transferred to Seaton LP as Western Garden's initial capital contribution. To finance the closing of the land purchase on the completion date of October 5, 2018, Seaton LP successfully received a land loan of $9,500,000 on October 1, 2018 from Industrial and Commercial Bank of China (Canada) ("ICBK") for which the Company has provided a limited corporate guarantee of up to $7,600,000. On October 4, 2018, Western Garden also made an additional capital contribution of $6,420,000 to Seaton LP.

10. Share Capital

(a) The Company's authorized share capital consist of unlimited common shares without par value.

(b) Treasury Shares

Under the terms of a Toronto Stock Exchange approved "normal course issuer bid" during the period from November 4, 2015 to November 3, 2016, the Company purchased 777,400 common shares at a cost of $762,520. These shares have not been retired and are classified as treasury shares in shareholders' equity.

(c) Share-Based Compensation Plan

	Options Outstanding	Weighted Average Exercise Price	
Balance, September 30, 2015	3,426,000	$	2.35
Expired/forfeited	(934,000)	$	(2.50)
Balance, September 30, 2016	2,492,000	$	2.25
Expired/forfeited	(1,417,000)	$	(2.25)
Balance, September 30, 2017	1,075,000	$	2.25
Expired/forfeited	(1,075,000)	$	(2.25)
Balance, September 30, 2018	**-**		**-**

11. Related Party Transactions

(a) Payments to key management personnel

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

	For The Twelve Months Ended	
	September 30, 2018	September 30, 2017
Consulting Fees		
Salaries and wages	**$ 658,000**	$ 620,750
Bonus	**-**	3,500
Termination fees	**-**	84,000
	658,000	708,250
Capitalized payments:		
Salaries and wages	**192,000**	346,250
Bonus	**-**	10,500
	192,000	356,750
	$ 850,000	$ 1,065,000

(b) Other related party transactions

In addition to other related party transactions and agreements disclosed in Note 7(a), the Company has the following related party transactions:

(i) The Company charged rent totaling $Nil (September 30, 2017 - $50,775) to companies related by common directors for shared office space.

(ii) Accounts payable at September 30, 2018 include amounts outstanding to directors in the amount of $35,750 (September 30, 2017 - $20,000).

(iii) Accounts receivable at September 30, 2018 include $17,977 outstanding from investment in associates (September 30, 2017 -$69,892) for expenses paid in advance by the Company.

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.

12. 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 optimises the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes cash, term deposits and the components of shareholders' equity. 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 at September 30, 2018, the Company has not entered into any debt financing.

12. Capital Disclosures (Continued)

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior 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. As of September 30, 2018, the Company's excess capital has been invested or loaned into real estate projects to increase the return on cash assets before the cash will be used to fund Phase I of the Milestone Project.

13. Commitments And Contractual Agreements

(a) The Company has entered into a lease for office premises which expires on June 30, 2019. The minimum annual lease payments are $442,144 per year.

(b) The Company 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. Upon signing of the agreement, the Company paid $500,000 which are creditable against future usage charges should usage have begun by January 1, 2017. If usage had not commenced by that date, the Company would have been required to pay an additional $200,000 annually until usage commenced. 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. As of September 30, 2018, the Company has paid a one-time Commitment fee of $200,000 upon signing of the amended agreement and has paid an additional annual standby fee of $101,370 in February 2018. 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. All standby fee payments and credits will be inflated annually by a multiplier. 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.

(c) During the year ended September 30, 2018, the Company had four separate financial advisory agreements, two of which are with directors of the Company, to seek out and introduce potential investors to the Company. Pursuant to each of these agreements, the Company is required to pay a success fee upon the completion of an equity financing equal to 4% of the amount raised up to $100,000,000 and 2% of any amounts in excess of $100,000,000. In the event the financing is in the form of debt that is subsequently converted to equity, the Company is required to pay a success fee of 1% of the amount raised up to $100,000,000 and 2% on amounts in excess of $100,000,000. The

13. Commitments And Contractual Agreements

(c) continued

maximum amount of success fee payable is $4,200,000 under each agreement. All four financial advisory agreements have expired on or before August 15, 2018, and the Company has no other financial advisory agreements as of September 30, 2018. However, for a period of one year from expiration, the Company may be required to pay a success fee to the advisor if the Company closes a transaction with a party introduced by the advisor during the period in which the agreement was in effect.

14. Financial Instruments And Risk Factors

a) Fair values

Fair value measurements for financial instruments recognized at fair value on a recurring basis and for disclosure purposes are classified in accordance with a fair value hierarchy that prioritizes the inputs used to measure fair value is as follows:

• Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;
• Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
• Level 3- inputs for the asset or liability that are not based on observable market data.

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. At September 30, 2018, investments in common shares of other public entities are included in other financial assets were recorded at fair value on the statement of financial position with changes to fair value being reported in profit or loss. The Company's investments in marketable securities have been valued using Level 1 inputs. The carrying values of the Company's cash and cash equivalents, term deposits, accounts receivables, deposits, loans receivable from associate, loans receivable and accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity or based on expected future cash flows and discount rates applicable to the instruments.

b) 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 and loans receivable, including loans receivable from associates, 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. The Company's principal credit risk relates to its loans receivable from FB Eighth LP, FB Robinson LP, FB Third LP, Nexst, 1148114 B.C., and 0942388 B.C., and the Company seeks to mitigate such risk by registering a first charge security on the land acquired by these entities. Details regarding the loans receivable are included in Note 7 (b) and Note 8.

c) 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 September 30, 2018, the Company had a cash and cash

14. Financial Instruments And Risk Factors (Continued)

c) Liquidity risk (continued)

equivalents balance of $9,154,280 and term deposits of $275,021 to settle current liabilities of $1,347,008. All of the Company's significant trade accounts receivables and liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. 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 bank lines, 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.

d) 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:

i) Interest rate risk

The Company has cash and cash equivalents, term deposits and loans receivable which bear interest. The Company's current policy is to invest excess cash in high yield term deposits and bankers' acceptances with fixed interest rates. The Company regularly monitors its cash management policy. The Company does not believe it is exposed to material interest rate risk on its cash and term deposits. The Company's cash and cash equivalents, loans receivable from associates and loan receivable from Nexst have variable rates of interest. A 1% increase or decrease in interest rates would increase or decrease interest income by approximately $0.3 million based on the carrying value of these interest-bearing instruments at September 30, 2018.

ii) Foreign currency risk

The Company's functional currency for the parent company and its subsidiaries is the Canadian dollar and major expenditures are transacted in Canadian dollars. Accordingly, foreign currency risk is currently not significant.

15. 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:

Year Ended September 30, 2018	Real Estate	Mineral Properties	Total
Interest and other income	$ 3,399,170	$ 905,175	$ 4,304,345
Operating expenses	61,017	2,291,400	2,352,417
Net Income (loss)	3,338,153	(1,386,225)	1,951,928
Total assets	53,360,165	98,343,554	151,703,719
Non current assets	20,761,979	88,568,692	109,330,671
Current assets	32,598,186	9,774,862	42,373,048
Total liabilities	(205,200)	(1,266,808)	(1,472,008)
Additions to non-current assets	14,902,588	6,557,008	21,459,596

Year Ended September 30, 2017	Real Estate	Mineral Properties	Total
Interest and other income	$ 37,810	$ 1,131,938	$ 1,169,748
Operating expenses	48,876	2,186,966	2,235,842
Net Income (loss)	(11,066)	(1,187,499)	(1,198,565)
Investment in Associates	5,859,391	-	5,859,391
Total assets	9,851,475	138,589,999	148,441,474
Total liabilities	-	(161,691)	(161,691)
Additions to non-current assets	5,859,391	4,028,171	9,887,562

16. Income Taxes

A reconciliation of income taxes computed at the statutory rate with the reported income taxes is as follows:

	2018	2017
Statutory tax rate	**27%**	26%
Income(loss) for the year	**$ 1,951,928**	$ (1,198,565)
Income tax expense/recovery at statutory rates	**527,021**	(311,627)
Effect of change in tax rate	**(569,002)**	-
Non-deductible items and other	**198,661**	5,145
Temporary differences not recognized	**(156,680)**	306,482
	$ -	$ -

16. Income Taxes (continued)

The significant temporary differences for which deferred tax assets have not been recognized are as follows:

	2018	2017
Non-capital losses carried forward	**$ 52,630,293**	$ 54,306,718
Capital losses carried forward	**5,252,290**	5,252,290
Cumulative exploration and development expenditures	**8,097,775**	8,546,358
Others	**2,361,175**	2,979,031
	$ 68,341,533	$ 71,084,397

The Company's non-capital and capital losses carried forward for Canadian income tax purposes expire in various years through to 2038. Non-capital losses may be applied against future taxable income and capital losses are deductible against future capital gains, if any. The Company also has approximately $96.1 million of exploration and development costs which are available for deduction against future income for tax purposes. The exploration and development deductions do not expire.

17. Contingency

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

a) 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 Company, in consultation with legal counsel, assesses that it is not probable at September 30, 2018 that the claim of Lockwood will be successful and that the Company will be required to pay any amounts and no provision for possible loss has been included in these consolidated financial statements.

b) 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 staking 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. 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 whether it has a present obligation and if so, whether it is probable that a cash outflow will be required to settle the obligation.

18. Subsequent Events

On October 25, 2018, the Company 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 the Company once production at the Milestone Project reaches the designed capacity, for a duration of 10 years.

On November 12, 2018, the Company's 100% owned subsidiary, Western Potash entered into a Limited Notice To Proceed Agreement ("LNTP") with SNC-Lavalin Inc. ("SNCL") for commencement of certain procurement services and construction execution preparation activities for the construction of the Milestone Phase I Plant. Western Potash is in the process of negotiating a form of Procurement and Construction Management Agreement for the Phase I Plant; in order to meet the Company's schedule requirements, certain procurement and construction preparation services will be promptly commenced prior to completion of such negotiations. The LNTP enables SNCL to proceed with the commencement of procurement service, orders for 6 initial packages for construction of the Phase I Plant, and construction execution preparation activities while negotiating the final Procurement and Construction Management Agreement. Per signed LNTP agreement, the Company is committed to make advance payment of $930,000 plus applicable sales tax to SNCL. Furthermore, SNCL will also submit advance invoices to the Company for the initial packages. A total of $985,800 has been paid to SNCL since September 30, 2018.

On December 4, 2018, Western Garden entered into an arrangement with Alabaster Holdings Corp. ("Alabaster") and Invesca Holdings Inc. ("Invesca"), together as limited partners of Alabaster (Spires 2) Limited Partnership ("Alabaster LP") to develop a real estate project in Richmond, British Columbia. Alabaster (Spires 2) G.P. Ltd. ("Alabaster GP") is the general partner of Alabaster LP, in which Western Garden has a 50% interest, 1091970 B.C. Ltd. ("109", a related party of Alabaster) has a 25% interest and Kensington Homes Ltd. ("Kensington" related party of Invesca) has a 25% interest. Western Garden jointly controls Alabaster GP with 109 and Kensington and Alabaster GP controls decisions related to all relevant activities of Alabaster LP. Western Garden 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 Western Garden's share is $6,460,000, representing its 80% interest in Alabaster LP. If Alabaster LP needs further funding, the limited partners have the right but not the obligation to loan funds to Alabaster LP. Cash flow and allocation of net income and losses from Alabaster LP will be distributed firstly to Western Garden until profit yields a 15% internal rate of return and secondly to Alabaster and Invesca until profit yields 15% internal rate of return. Western Garden has made total capital contributions of $534,000 to Alabaster LP since September 30, 2018.