MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED

SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

TABLE OF CONTENTS

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for Western Resources Corp. ("the Company" or "WRX") for the year ended September 30, 2020. It has been prepared as of December 23, 2020 and includes financial and other information up to the date of this report. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended September 30, 2020. All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS"), and all dollar amounts are expressed in Canadian dollars. For additional information, readers should also refer to Company information filed on www.sedar.com.

All dollar amounts in this MD&A are expressed in Canadian dollars, unless otherwise specified. United States dollars is referred to as "US$" and Brazilian Real is referred to as "BRL$".

FORWARD-LOOKING STATEMENTS

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

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

DESCRIPTION OF BUSINESS

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

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

The Company also invested in real estate development projects in the Greater Vancouver area.

OVERVIEW

The major use of potash is in the fertilizer industry where is it usually blended with nitrogen and phosphorous and used as a crop and plant nutrient. Globally, potash prices have fluctuated since 2000, which is the direct result of changes in potash supply and demand, as well as of the global economic situation and unstable market trend in oil and other commodities. Management remains positive with respect to the potash industry, as well as in the medium to long-term potash fundamentals. New projects are anticipated, however the increase in production is likely to be absorbed by the marketplace without a disruption to prices. The global potash market is expected to increase due to continued population growth and increased demand for more intensive farming in several industries including the organic food sector.

In terms of Phase I, management believes that it has favorable project development conditions when compared to other competitors. Western has signed a binding off-take agreement with Archer Daniels Midland ("ADM") to sell all of the Phase I potash product in the North American market. From an overall cost perspective, the Phase I capital expenditure ("CAPEX") projection is below other recent new potash mines. The Selective Solution Mining technology being developed at the Phase I project uses less energy, water and processing requirements than conventional solution mining and therefore the operational costs even at a small scale are competitive on a cost per tonne of production basis.

Saskatchewan is one of the best regions in the world for mining, with large high-quality resources, a stable government, good infrastructure and a highly skilled and available workforce. Thus, the Company continues to believe that even in this competitive market there is an opportunity for an innovative potash producer, provided that the operating costs are comparatively low and the right marketing strategy is adopted. Western's strategy to optimize development of the World Class Phase I deposit is to adjust the plan to market, with a staged approach to the Phase I (146,000 tonnes of potash per year) to prove the innovative solution mining technology, followed by Phases II and III when market conditions are right.

Construction by Stuart Olson Prairie Construction ("Stuart Olson") continued through the first half of 2020. The overall project progress has surpassed 85% (based on total incurred cost of engineering, procurement, infrastructure and construction) with only building erection, mechanical, electrical and instrument installation, compaction and storage areas, construction of all the loadout facilities and final site grading remaining to be completed.

On May 14, 2020 the Company delayed planned completion of construction for the balance of the Phase I plant due to delays in completing the final tranche of funding as previously planned. The Company continues to work with potential investors to complete the final tranche of funding, as well as pursuing alternative sources of financing for the completion of the remaining construction. Nevertheless, Western Potash will continue hot mining to increase the size of the caverns and to build up potash in the crystallization pond, getting ready for the commissioning of the plant in the third quarter of calendar year 2021 with shipping of potash expected to commence in early fourth quarter of calendar 2021. The Company received bridge financing during the year and is now accelerating the financing process to the next stage of due diligence. Once financing is secured, Phase I construction will resume immediately with a plan to complete during the second quarter of calendar year 2021.

As of September 30, 2020, Western Potash's Phase I project team has taken over operations of the hot mining system which is pumping at full capacity with the submerged combustion brine heating system fully operational. Hot mining recirculates brine through the caverns and preferentially extracts the potassium chloride ("KCl") leaving the sodium chloride in place underground. During the hot mining operations, potash is being built up in the crystallization pond. When the processing plant is complete, potash will be extracted from the pond with a dredge, processed and transported off site. While there have been a number of startup issues, by September 30th all equipment involved with hot mining is fully operational, and the mining is progressing well. All other site infrastructure projects (gas, power, water, roads, telecommunication) are complete.

These are the first intentionally developed horizontal solution mining potash caverns in Saskatchewan. The Phase I Project signifies a new and improved method of extracting potash in the province.

The Company has received all required administrative and construction permits from the Saskatchewan Ministry of Environment ("SMoE") as well as the Regional Municipality ("RM") of Lajord for hot mining operation. Additional regulatory approvals and permits will be processed in coordination with the continued advancement and completion of construction. An Environmental Management Plan, Conceptual Decommissioning and Reclamation plan in support of reclamation bonds, and an Annual Environmental Report for 2019 were also submitted to the Ministry of Environment.

The Company is encouraged by the continued broad support for the project and continues to actively engage the local community, the Saskatchewan government, the Rural Municipality of Lajord, local businesses, and local landowners. However, these community engagement activities have been reduced in 2020 due to COVID-19, but will resume when allowed by provincial policy.

Management is pleased with the overall project progress and budget control, especially the positive result of cavern operation and the construction and operation of hot mining infrastructure. The success of Phase I plant at the small scale, positions Phases II and III very favorably with economies of scale in comparison to other producers.

Since 2017, the Company has invested its cash in real estate projects to earn a higher return than bank deposits. The Company has partnered with Formwerks Boutique Investments Ltd. ("Formwerks"), and Alabaster Holdings Corp. ("Alabaster"), both real estate developers in the Greater Vancouver area, to develop real estate projects. The Company has interests in five existing limited partnerships with Formwerks and a limited partnership with Alabaster. The Company continues to have approximately $20 million in equity investments in real estate projects.

COVID-19

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 our real estate investments, or potential decreases in future revenue to the extent potash prices are impacted.

(Expressed in Canadian Dollars)

SELECTED ANNUAL INFORMATION

	For the years ended		
	September 30, 2020 $	September 30, 2019 $	September 30, 2018 $
Operating expenses	(2,166,745)	(2,244,430)	(2,352,417)
Other income (expenses)	(2,156,476)	1,322,267	4,304,345
Net income (loss) before income taxes	(4,323,221)	(922,163)	1,951,928
Deferred tax recovery	2,657,746	-	-
Net income (loss) and comprehensive income (loss)	(1,665,475)	(922,163)	1,951,928
Loss per share - basic and diluted	(0.01)	(0.01)	0.02
Total assets	264,768,537	197,933,723	151,703,719
Current liabilities	57,081,910	22,683,578	1,472,008
Non-current liabilities	38,513,281	12,149,908	-

The Company's operating expense for the year ended September 30, 2020 has been fairly consistent with operating expenses incurred for the year ended September 30, 2019 with a slight decrease of $77,685. However, the Company's other income (expenses) decreased significantly by $3,478,743 resulting in a loss before income taxes of $4,323,221 from net loss before income taxes of $922,163 for the year ended September 30, 2019 mainly due to decreases in interest income and a loss on legal settlement, finance costs, and other income and losses incurred in 2020. During the year ended September 30, 2020, the Company recognized a deferred tax recovery of $2,657,746 related to the impact associated with the difference between the fair value of loan payable from the Company's majority shareholder recognized on issuance and its tax basis, being the proceeds received during the year. The Company's total assets and liabilities have increased as a result of the continued construction of the Milestone Project.

SUMMARY OF ANNUAL RESULTS

	For the year ended		
	September 30, 2020 $	September 30, 2019 $	Increase/(Decrease) $
EXPENSES			
Consulting fees	(512,109)	(678,991)	(166,882)
Depreciation	(207,096)	(57,170)	149,926
Office and miscellaneous expenses	(514,257)	(704,367)	(190,110)
Professional fees	(438,966)	(466,417)	(27,451)
Salaries, wages and benefits	(275,445)	(268,508)	6,937
Share-based payments	(218,872)	(68,977)	149,895
Loss before other income (expenses)	(2,166,745)	(2,244,430)	(77,685)

Operating expenses

Consulting fees decreased for the year ended September 30, 2020 due to fewer consultants employed compared to the comparative period in the prior year.

(Expressed in Canadian Dollars)

Depreciation increased for the year ended September 30, 2020 compared to September 30, 2019 as the Company's office lease obligations are now accounted for on the statement of financial position as a result of the adoption of IFRS 16 with the corresponding right-of-use asset associated with the leased office space resulting in an increase in depreciation expenses.

Share-based payments increased in the year ended September 30, 2020 as there were more stock options granted.

Major changes to the office and miscellaneous expenses for the years ended September 30, 2020 and 2019 include:

	For the year ended		
	September 30, 2020	**September 30, 2019**	**Increase/(Decrease)**
	$	**$**	**$**
Charged to office & miscellaneous expenses			
Bank charges and interest	(5,316)	(3,753)	1,563
Filing and regulatory fees	(63,076)	(88,069)	(24,993)
Investor relations	(34,462)	(39,209)	(4,747)
Office expenses	(169,869)	(132,347)	37,522
Rent	(105,911)	(370,275)	(264,364)
Telephone	(25,870)	(13,061)	12,809
Travel	(109,753)	(57,653)	52,100
	(514,257)	(704,367)	(190,110)

Rent decreased for the year ended September 30, 2020 because the Company entered into a new office lease agreement on December 3, 2018 which had lower rent payments than the previous office lease agreement and the Company's office lease obligations are now accounted for on the statement of financial position as a result of the adoption of IFRS 16 and the principal potion of the lease payments reduces the liability. The Company adopted IFRS 16 on a modified retrospective basis without restating the comparative figures. Accordingly, lease payments are reflected as rent expense in the prior year.

Filing and regulatory fees decreased for the year ended September 30, 2020 compared to September 30, 2019 mainly because there were additional filing fees incurred for the rights offering in the year ended September 30, 2019, but no such costs were in the current year. Office expenses and travel increased for the year ended September 30, 2020 as more costs were incurred to support the construction activities.

Other income and expenses

	For the year ended		
	September 30, 2020	**September 30, 2019**	**Increase/(Decrease)**
	$	**$**	**$**
Other income (expenses)			
Interest income	169,027	1,765,768	(1,596,741)
Other income (loss)	177,698	(443,501)	621,199
Loss on legal settlement	(1,584,684)	-	(1,584,684)
Finance costs	(724,870)	-	(724,870)
Share of loss from investment in associates	(193,647)	-	(193,647)
	(2,156,476)	1,322,267	(3,285,096)

Interest income decreased for the year ended September 30, 2020 mainly due to the repayment of loans receivables throughout 2019 that were outstanding in the preceding year and redemption of a number of term deposits.

Other income increased for the year ended September 30, 2020 mainly due to fluctuations in foreign exchange gains from currency conversion and currency revaluation at period-end throughout the current year and unrealized gains from changes in fair value of marketable securities. For the year ended September 30, 2019, the Company incurred losses of $506,746 from a phishing scheme but there were no such losses in the current year, and this was partially offset by a small rental income of $119,080 in the preceding year. There is no rental income as of March 2019 as the Company moved to its new office space.

(Expressed in Canadian Dollars)

Loss from legal settlement for the year ended September 30, 2020 resulted from a legal settlement with Amarillo Gold Corporation (“Amarillo”) (Note 15 of the annual financial statements and refer to “Payable on Legal Settlement” of this MD&A). The Company determined the fair value of the total amount due to Amarillo and recognized a loss on legal settlement. No such expense was recognized for the year ended September 30, 2019.

Finance costs increased for the year ended September 30, 2020 mainly due to interest expense accrued on promissory notes issued during the year, accrual of $250,000 finder’s fee payable to a third party for the restructuring of the Company’s real estate investments (refer to “Investment Activities” of this MD&A), interest expense on financing arrangements, promissory notes, and legal settlement.

Share of loss from investment in associates for the year ended September 30, 2020 resulted from the Company’s share of net loss incurred by one of its associates, FB Burrard Limited Partnership (“FB Burrard”).

The deferred tax recovery recorded during the year ended September 30, 2020 relate to temporary differences which arose as a result of the accounting treatment for a below interest loan received from the Company’s majority shareholder.

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	September 30, 2020	**June 30, 2020**	**March 31, 2020[1]**	**December 31, 2019[1]**
	$	**$**	**$**	**$**
Operating expenses	716,889	389,340	523,681	536,835
Other income (expense)	(608,791)	(35,005)	(1,689,002)	176,322
Deferred tax recovery	-	-	373,836	2,283,910
Net income (loss) and comprehensive income (loss)	(1,325,680)	(424,345)	(1,838,847)	1,923,397
Income (loss) per share - basic and diluted	(0.00)	(0.00)	(0.01)	0.01

	Three months ended			
	September 30, 2019	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**
	$	**$**	**$**	**$**
Operating expenses	369,236	414,144	552,577	908,473
Other income (expense)	(481,773)	277,801	777,186	749,053
Net income (loss) and comprehensive income (loss)	(851,009)	(136,343)	224,609	(159,420)
Income (loss) per share - basic and diluted	(0.00)	(0.00)	0.00	(0.00)

1. The December 31, 2019 and March 31, 2020 quarterly amounts in fiscal 2020 have been recast to reflect an adjustment made at September 30, 2020 with respect to a deferred income tax recovery.

Quarterly net income (loss) fluctuates primarily as a result of changes in other income (expense). During Fiscal 2019, the quarterly other income was higher as a result of higher interest income from cash on hand and loans receivable from associates whereas during the quarters in Fiscal 2020, the Company has incurred finance expenses from borrowings. Furthermore, quarterly other income (expense) was impacted by the recording of a loss on legal settlement during the quarter ended March 31, 2020.

(Expressed in Canadian Dollars)

The deferred tax recovery recorded during the quarters in Fiscal 2020 relate to temporary differences which arose as a result of the accounting treatment for a below interest loan received from the Company's majority shareholder.

REVIEW OF QUARTERLY FINANCIAL RESULTS

	For the three months ended		
	September 30, 2020 $	September 30, 2019 $	Increase/(Decrease) $
EXPENSES			
Consulting fees	(165,463)	(77,410)	88,053
Depreciation	(55,353)	(13,300)	42,053
Office and miscellaneous expenses	(318,254)	(107,995)	210,259
Professional fees	(31,868)	(117,180)	(85,312)
Salaries, wages and benefits	(62,491)	(44,847)	17,644
Share-based payments	(83,460)	(8,504)	74,956
Loss before other income (expenses)	(716,889)	(369,236)	347,653

Operating expenses

Consulting fees increased for the three months ended September 30, 2020 compared to the three months ended September 30, 2019 primarily due to the reclassification of $66,129 from professional fees to consulting fees related to amounts paid to assist with Amarillo legal settlement accrued during the second quarter.

Depreciation increased for the three months ended September 30, 2020 as the Company's office lease obligations are now accounted for on the statement of financial position as a result of the adoption of IFRS 16 with the corresponding right-of-use asset associated with the leased office space resulting in an increase in depreciation expense.

Professional fees include accounting and legal fees. Professional fees decreased for the three months ended September 30, 2020 as legal settlement has been reached with Amarillo and therefore less legal fees incurred as compared to September 30, 2019.

Share-based payments increased for the three months ended September 30, 2020 related to more stock options granted to the Company's employees.

Major changes to the office and miscellaneous expenses for the three months ended September 30, 2020 and 2019 include:

(Expressed in Canadian Dollars)

	For the three months ended		
	September 30, 2020 $	September 30, 2019 $	Increase/(Decrease) $
Charged to office & miscellaneous expenses			
Bank charges and interest	(921)	(1,561)	(640)
Filing and regulatory fees	(8,581)	(9,782)	(1,201)
Investor relations	(13,743)	(5,481)	8,262
Office expenses	(97,093)	(41,469)	55,624
Rent	(92,142)	(30,558)	61,584
Telephone	(21,002)	(1,167)	19,835
Travel	(84,772)	(17,977)	66,795
	(318,254)	(107,995)	210,259

Office expenses, rent, telephone and travel expenses increased during the three months ended September 30, 2020 as certain expenses were no longer capitalized to development costs as certain construction activities were suspended.

Other income and expenses

	For the three months ended		
	September 30, 2020 $	September 30, 2019 $	Increase/(Decrease) $
Other income (expenses)			
Interest income	(65,948)	52,257	(118,205)
Other income (loss)	169,723	(534,030)	703,753
Loss on legal settlement	39,530	-	39,530
Finance costs	(316,249)	-	(316,249)
Share of loss from investment in associates	(435,847)	-	(435,847)
	(608,791)	(481,773)	(127,018)

Interest income decreased for the three months ended September 30, 2020. The decrease is mainly due to the repayment throughout 2019 of loans receivables that were outstanding in the preceding year and redemption of a number of term deposits.

Other income increased for the three months ended September 30, 2020. The change in other income is mainly due to fluctuations in foreign exchange gains from currency conversion and a revaluation gain on marketable securities at period-end for the three months ended September 30, 2020. During the three months ended September 30, 2019, the Company incurred losses of $506,746 from a phishing scheme but there were no such losses in the current year.

Legal settlement increased for the three months ended September 30, 2020 due to an adjustment made to true up the fair value in the Amarillo legal settlement case ("Amarillo") (refer to "Payable on Legal Settlement" of this MD&A). No such expense was recognized during the three months ended September 30, 2019.

Finance costs increased during the three months ended September 30, 2020 compared to $nil for the three months ended September 30, 2019, mainly from interest expense accrued on promissory notes, interest expenses from financing arrangement and interest on legal settlement payable. No such costs were incurred for the three months ended September 30, 2019.

Share of loss from investment in associates for the three months ended September 30, 2020 relates to the Company's share of net loss of FB Burrard. There was no equity pickup during the three months ended September 30, 2019 as FB Burrard was in the construction phase of its real estate project and all costs were capitalized.

(Expressed in Canadian Dollars)

The deferred tax recovery recorded during the quarters in Fiscal 2020 arose as a result of the accounting treatment for a below interest loan received from the Company's majority shareholder.

LIQUIDITY AND CAPITAL RESOURCES

	For the years ended	
	September 30, 2020 $	September 30, 2019 $
Current assets	11,168,038	9,329,196
Current liabilities	57,081,910	22,683,578
Working capital deficit	(45,913,872)	(13,354,382)
Total assets	264,768,537	197,933,723
Total liabilities	95,595,191	34,833,486
Net assets	169,173,346	163,100,237

The Company's audited consolidated financial statements for the year ended September 30, 2020 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 September 30, 2020, 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 $19,236,000. As at September 30, 2020, the Company has a working capital deficit of $45,913,872 including cash of $6,711,404. Furthermore, various vendors have filed builders' liens for up to $29,389,766 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. 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 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 consolidated 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.

(Expressed in Canadian Dollars)

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.

Cash resources and liquidity

At September 30, 2020, the Company did not have significant sources of revenues and generated an operating cash outflow. During the year ended September 30, 2020, the Company incurred a cash outflow of $4,061,773 from operating activities. As at September 30, 2020, the Company has a working capital deficit of $45,913,872 including cash of $6,711,404.

Financing activities

On September 12, 2019, the Company entered into a credit facility agreement (the "Credit Facility Agreement") with the Company's majority shareholder for an amount up to $40,000,000, of which $35,000,000 was drawn during the year ended September 30, 2020.

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

During the year ended September 30, 2020, the Company issued the following unsecured promissory notes to various note holders:

Term	Interest Rate per Annum	Footnote	September 30, 2020 $	September 30, 2019 $
On demand upon written notice by the Note Holder	8%	1	500,000	-
On demand upon written notice by the Note Holder	8%	2	2,700,000	-
Note payable on maturity date of May 8, 2021	12%	3	820,000	-
Note payable on maturity date of June 8, 2021	12%	4	300,000	-
As at September 30, 2020			**4,320,000**	**-**
Accrued interest expenses			**194,393**	**-**

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

The Company also issued an unsecured promissory note of $500,000 bearing 12% interest to an unrelated third party on May 27, 2020 which was repaid on August 17, 2020.

On January 8, 2020, to finance the closing of an additional land purchase by the Company's subsidiary WGP Seaton Development Limited Partnership ("Seaton LP"), Seaton LP received a land loan of $1,300,000.

On May 12, 2020, the Company received a $40,000 COVID-19 relief line of credit from the Canada Small Business Financing Program as support for businesses impacted by COVID-19.

On June 17, 2020 Seaton LP secured a secondary mortgage of up to $4,500,000. The mortgage will be drawn in three tranches with the first two tranches totaling $3,000,000 to be drawn between funding date and December 31, 2020; the remaining third tranche of $1,500,000 is optional and will be advanced not earlier than January 1, 2021. The interest rate is the greater of 10% per annum, or RBC Prime rate plus 6% per annum, payable monthly, with the principal amount payable at maturity. The mortgage has a 12-month term with a renewal option at maturity for an additional six months. As of September 30, 2020, total of $2,210,836 had been drawn.

Western Potash, through its subsidiary 0907414 BC Ltd. ("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 repurchased the Property back by July 7, 2022 for $9,300,000 or extend the repurchase date to July 7, 2023 for $9,700,000. As the transaction has an obligation to repurchase the property at a future date, the Company accounted for the transaction as a financing arrangement. The disposal of land will not impact the Phase I Milestone Project as it is being conducted in a different parcel of land while the Phase II and Phase III land parcels are vacant. The proceeds from the sale are being used solely for general and administrative costs as well as for the continued development of the Phase I Milestone Project site.

Investment activities

The Company through its subsidiary, Western Potash, has entered into various capital expenditure commitments for the procurement and construction of Phase I Milestone Project with a remaining committed amount of approximately $19,236,000.

The carrying value of mineral property, plant and equipment totaled $214,118,951 as at September 30, 2020 compared to $154,053,146 as at September 30, 2019. The increase reflects the Company's development and construction activities at its Milestone Project in Saskatchewan where $58,516,015 in mineral interest, development and construction costs were incurred. In addition, increases to property, plant and equipment included $545,412 in mineral interest costs, $970,070 related to increases in the associated asset retirement obligation, and $45,336 in property and office equipment costs were incurred during the year ended September 30, 2020. Furthermore, $196,068 in additions resulted from the recognition of right of use assets resulting from the adoption of IFRS 16 during the year ended September 30, 2020.

The Company through its subsidiaries entered into a number of arrangements with Formwerks and Alabaster, both Vancouver based real estate development companies, to develop real estate projects.

On June 12, 2020, the Company underwent a restructuring of its real estate investments and transferred its 22.5% interest in FB Third LP and 80% interest in Alabaster LP, which had a total carrying value of $7,361,909, to a new investment vehicle WGP Investment Limited Partnership ("WGP LP") in exchange for cash of $4,099,150 and 3,262,759 units in WGP LP with a value of $1 per unit. The cash portion paid by WGP LP was funded by the issuance of 4,099,150 units of WGP LP, representing a 55% interest, at $1 per unit, to a new partner 1168387 BC Ltd. ("1168387"). As a result of the transaction, the Company's interest in FB Third LP and Alabaster LP were reduced to 10.125% and 36%, respectively.

<u>During the year ended September 30, 2020</u>

- The Company has made total capital contributions of $1,036,000 to FB Robinson Development Limited Partnership ("FB Robinson LP")).
- The Company has made total capital contributions of $222,000 to FB 234 Third Avenue Development Limited Partnership ("FB Third LP").
- The Company has made total capital contributions of $1,240,000 to Alabaster (Spires 2) Limited Partnership ("Alabaster LP").
- The Company invested a further $500,000 in Seaton LP.
- On August 11, 2020, the Company advanced a loan of $525,764 to FB Burrard to fund continuous marketing and interest costs on the remaining homes. The loan is interest free and has a term of nine months.

Based on its current cash flow forecast, its existing obligations and commitments and the Credit Facility Agreement, the Company will require additional funds in the fiscal year 2021 in order to complete construction and successfully commission Phase I and to fund its real estate investments and general and administrative expenses. Management is currently exploring other financing arrangements, including equity and debt financing, in order to complete construction activities, commission Phase I and fund general and administrative expenses. However, there are no assurances that the Company will be successful in obtaining such equity or debt financing.

MILESTONE PROJECT

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

Land and Minerals

The Milestone Project includes 84,557 acres of Crown held Mineral Leases, and 65,305 acres of acquired Freehold Leases. The renewable, 21-year Crown lease was granted by the Government of Saskatchewan under a Ministerial Order and provides the Company with full and exclusive power and right to mine Crown owned subsurface minerals, including potash, subject to the provisions outlined by the Saskatchewan Subsurface Mineral Regulations (1960) and the Subsurface Mineral Tenure Regulations (2015). The Company has completed the drilling of eleven potash exploration wells on the property, acquired several hundred-line kilometers of 2D seismic study, and conducted a 3D seismic study during the exploration program. The leases are adjacent to potash permits held by other multinational mining companies.

The Company has signed a Unitization Agreement with the Ministry of Energy and Resources and all included freeholder mineral owners, to unitize the four mineral sections around the Phase I site providing mineral resources for the 12-year life of the plant. The agreement outlines the royalty payments in proportion to their percentage ownership of the Unitized Area once production commences.

Permits

Western Potash previously investigated the full-scale Phases II and III 2.8 million-tonnes per year Milestone Project by completing multiple Resource and Reserve Estimates (2010, 2011, 2012, and 2013), a Scoping Study (2011), a Prefeasibility Study (2011), and a Feasibility Study (2012) on the Milestone Project. The SMoE issued Environmental Assessment Approval ("EAA") for the Milestone Project in March of 2013. The original 2013 approval was amended in 2015 to include the new mining methodology and the scale of the Phase I plant. Following the conclusion of the AMEC Phase I Pilot Study, a second EAA amendment application was submitted detailing the final engineering and location of the Phase I plant, and approval was received in 2017 and again updated in 2019 with the SNC-Lavalin engineering. A Development Agreement with the Rural Municipality of Lajord No. 128 was initially signed in 2015, and updated with the Project design in 2017 and 2019.

Western has received numerous permits and approvals for the Phase I development and operation of Hot Mining. Additional permits will be received as the project continues to progress.

Engineering Studies

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

SNC Lavalin has completed the Final Engineering. All of the major packages of equipment required for the plant and ancillary facilities have been procured and approximately 85% delivered to the project site.

Solution Mining and Drilling

Western Potash has successfully started hot solution mining with the permanent plant system. Hot mining involves heating and recirculating the brine into the caverns and preferentially extracting the KCl (leaving the NaCl in place underground). Potash is being accumulated in the crystallization pond and there will be enough to the dredging as soon as the plant is complete. The hot mining system is pumping at full capacity and the submerged combustion brine heating system is fully operational. Additional heating was brought on-line using the natural gas fired glycol heating unit.

Construction

During 2020 construction by Stuart Olson completed 85% of the total work for the processing plant and minefield areas (based on incurred costs for all activities including engineering, procurement, infrastructure and construction). Work also focused on establishing facilities to allow hot mining activities. Hot mining commenced in Q2 of calendar 2020 and continued through the remainder of the year. Hot mining will continue in calendar 2021 while the remainder of the Phase I project is being completed.

All of the bulk material has been purchased and is on-site, as well as over 85% of the equipment. The storage building has foundations only, the process and compaction areas require building erection, mechanical, electrical and instrument installation and the pumphouse building is currently temporary and final site grading remains to be completed. All other site infrastructure projects (gas, power, water, roads, telecommunication) are complete.

The project construction will resume immediately after financing is secured.

Community

The Company is committed to maintaining good relationships with the community, government and business, through open and transparent communication, feedback and ongoing engagement with all parties (as much as can be done with COVID-19) as well as bringing benefits to the local community. Regular virtual meetings with all levels of government have continued to confirm strong support for the project.

Qualified Persons

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

COMMITMENTS AND CONTRACTUAL AGREEMENTS

- Western Potash entered into a water supply agreement with respect to the Milestone Project dated November 15, 2012 with the City of Regina with a term of 44 years and which would have required fixed payment for water usage at a rate of $0.25/cubic meter (increasing by 1% annually) multiplied by a fixed annual volume as prescribed in the agreement. On December 21, 2017, the agreements were amended to stipulate that the City of Regina will provide Western Potash a preferential right to access a maximum of up to 25,000 cubic meters of water at a rate of $0.2628/cubic meter (increasing by a multiplier every year) per day of recycled water for an agreed term of 40 years from the start of water flow. A total of $110,726 in standby fees were made during the year ended September 30, 2020. Half of the commitment fee and standby fee will be credited against the annual water usage fees if water usage commences on or before December 31, 2025. If the Company does not commence usage on or before December 31, 2025, all credits accrued until that date will no longer be creditable against the annual usage fees. Furthermore, the Company will be required to pay a standby fee of $500,000 annually after December 31, 2025 until the earlier of the date water usage commences and the term of the agreement which is defined in the agreement as 40 years after connection to the Regina water system is completed. Both the City of Regina and the Company have the option to terminate the contract on or after December 3, 2025 if usage has not commenced by that date.

- On October 25, 2018, Western Potash signed an off-take agreement with a North American company in the business of selling agricultural fertilizers to purchase an annual production of 146,000 metric tons of product from Western Potash once production at the Milestone Project reaches the designed capacity, for a duration of 10 years commencing no later than May 31, 2020. The Company is currently discussing an extension of the commencement date with the customer. Following the commencement date if the Company fails to make delivery of a committed volume in a 12-month period, a make-whole payment maybe required to be made to the customer to compensate the customer of any net price difference for fertilizer purchased by the customer on the open market and any direct incremental costs incurred by the customer to acquire alternative product.

- Western Potash has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project. As of September 30, 2020, total capital expenditure commitments are $19,236,000.

- During the year ended September 30, 2020, the Company entered into 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 a compensation upon the completion of an equity or debt financing with an introduced investor. The compensation on these agreements will equal to 5% of the amount raise from equity financing and 2.5% of gross proceeds on debt financing or royalty transactions with the introduced investor.

PAYABLE ON LEGAL SETTLEMENT

Amarillo Gold Corporation ("Amarillo")

On April 15, 2020, Western Potash and Amarillo Gold Corporation ("Amarillo") entered into a settlement agreement with Amarillo (the "Amarillo Settlement") to resolve the disputes in respect to 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 Amarillo Settlement released all of the obligations of Western Potash up to the date of the settlement provided that the Company is not released from any of the obligations provided in the settlement.

Pursuant to the Amarillo Settlement, Western Potash is required to make the following payments to Amarillo (collectively "Settlement Amount"):

- $178,238 legal fees incurred by Amarillo ("Awarded Costs"), paid in the year ended September 30, 2020;
- 25-monthly payments of approximately $17,000 starting from April 28, 2020, to reimburse the taxes ($426,000) paid by Amarillo (Paid Taxes"); and
- Monthly payments of $33,000 from March 2020 to May 2023 for the tax payment required to be paid by Amarillo ("Outstanding Taxes").

For the Outstanding Taxes, the estimated amount for the period from March 2020 to May 2023 at the date of settlement was $1,240,532 (BRL 4,540,748). Pursuant to the Amarillo Settlement, Amarillo will remit the required monthly tax amount in Brazilian Real ("BRL") to the Brazilian government. Every quarter-end, Amarillo will reconcile the equivalent Canadian dollar of the quarterly tax payment made to the Brazilian government with the quarterly payment Western Potash paid to Amarillo. Any excess amount paid by Western Potash to Amarillo due to the fluctuation of the exchange rate will be reimbursed by Amarillo to the Company and vice versa. Western Potash may settle the monthly Outstanding Taxes payment at any time before it comes due. In any event, if Western Potash fails to make any Settlement Amount within 15 days after the due date, Amarillo has the right to apply and obtain leave of the court to enforce the remaining Settlement Amount to be paid by Western Potash immediately. The settlement resulted in a loss of $1,584,684 recognized in net loss.

CONTINGENCIES

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

Lockwood Financial Ltd.

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

The case is on hold due to the withdrawal of Lockwood's legal counsel from the case on March 8, 2019. The Company, in consultation with legal counsel, assesses that it is not probable at September 30, 2020 that the claim of Lockwood will be successful.

(Expressed in Canadian Dollars)

Builders' Liens

During the year ended September 30, 2020, various vendors have filed builders' liens for up to $29,389,766 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 $4,100,000. All of these amounts have already been recorded in trade payable related to mineral property and no additional provisions have been made. The Company's legal counsel is currently working directly with the vendors on a temporary solution to mitigate legal action.

Subsequent to September 30, 2020, the Company received additional claim of builders' liens of $1,473,245 and further legal claims of up to $4,700,000 related to the existing liens and outstanding payables.

OUTSTANDING SHARE DATA

Common shares

As of December 17, 2020, the Company had 186,874,220 common shares issued and outstanding. 777,400 common shares with a carrying value of $762,520 are classified as treasury shares which the Company reacquired from its shareholders but has not retired.

Stock options

As of December 23, 2020, the Company had the following stock options outstanding:

	Number outstanding	Weighted average exercise price ($)
September 30, 2020	**12,450,000**	**0.158**
Granted	400,000	0.170
Forfeited	(1,400,000)	0.146
Balance, December 23, 2020	**11,450,000**	**0.160**

On November 16, 2020, the Company granted 400,000 stock options with an exercise price of $0.17 to a director which vest in annual installments of 30% in the next three years with the remainder vesting on the fourth anniversary date; a total of 1,400,000 options with exercise price ranging from $0.12 to $0.185 were subsequently forfeited as of December 23, 2020.

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 income (loss) and mineral property, plant and equipment are as follows:

(Expressed in Canadian Dollars)

	For the year ended	
	September 30, 2020	September 30, 2019
	$	$
Included in net loss		
Consulting fees	309,080	432,750
Bonus	-	135,000
Share-based payments	126,072	5,995
	435,152	573,745
Included in property, plant and equipment		
Consulting fees	120,000	178,500
Salaries and wages	240,000	140,000
Bonus	36,000	-
Share-based payments	148,647	42,624
	544,647	361,124
Total payments to key management personnel	**979,799**	**934,869**

Other related party transactions

- On November 18, 2019, the Company received an unsecured non-interest-bearing bridge loan (“Bridge Loan”) from a company which is controlled by an officer of the Company of $6,600,000. The Bridge Loan was fully repaid by the Company in December 2019.

- 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. During the year ended September 30, 2020, $35,000,000 was advanced from the Credit Facility Agreement. Interest of $1,171,923 was incurred during the year ended September 30, 2020 and as of September 30, 2020, interest payable related to the Credit Facility Agreement is $1,171,923.

- During the year ended September 30, 2020, the Company issued promissory notes with a total face value of $3,200,000 to the Company’s majority shareholder. On August 6, 2020, the majority shareholder transferred $2,700,000 of these promissory notes to an officer of the Company. Interest of $145,630 was incurred during the year ended September 30, 2020 and as of September 30, 2020, interest payable related to this promissory note is $145,630.

- On May 8, 2020, the Company issued a promissory note with a face value of $820,000 to a party related to an officer of the Company. Interest of $37,761 was incurred during the year ended September 30, 2020 and as of September 30, 2020, interest payable related to the promissory note is $37,671.

- Accounts payable at September 30, 2020 includes $88,334 in outstanding to directors and officers (September 30, 2019 – $214,564).

All related party transactions are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties except for the amount borrowed under the Credit Facility Agreement which was recognized at fair value on the issuance date.

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:

(Expressed in Canadian Dollars)

	Real estate $	Mineral properties $	Total $
For the year ended September 30, 2020			
Operating expenses	(203,338)	(1,963,407)	(2,166,745)
Interest and other income (expense)	(638,040)	(1,518,436)	(2,156,476)
Deferred tax recovery	-	2,657,746	2,657,746
Net loss for the year	(841,378)	(824,097)	(1,665,475)
For the year ended September 30, 2019			
Operating expenses	(195,364)	(2,049,066)	(2,244,430)
Interest and other income (expense)	11,397	1,310,870	1,322,267
Net loss for the year	(183,967)	(738,196)	(922,163)
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)
As at September 30, 2019			
Total assets	33,950,695	163,983,028	197,933,723
Non-current assets	33,851,505	154,753,022	188,604,527
Current assets	99,190	9,230,006	9,329,196
Total liabilities	(9,512,380)	(25,321,106)	(34,833,486)
Non-controlling interest	(2,514,000)	-	(2,514,000)

Net loss for the year ended September 30, 2020 increased significantly for the real estate segment mainly due to increase in interest expense from promissory notes, finder's fee incurred for real estate restructuring and share of loss from investment in associates. For the mineral properties segment, net loss increased for the year ended September 30, 2020 mainly due to loss from legal settlement. In contrast during Fiscal 2019, both segments had higher interest income from cash on hand and loans receivable from associates which resulted in a lower net loss as compared to fiscal 2020.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in the Risks and Uncertainties section of this MD&A and Note 23 of the audited consolidated financial statements for the year ended September 30, 2020. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to Note 2 of the audited consolidated financial statements for the year ended September 30, 2020.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our consolidated financial statements requires management to use judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could materially differ from these estimates. Significant judgements made by management relate to the Company's ability to continue as a going concern (see Note 1 to the audited consolidated financial statements) and the determination that certain leases related to the Milestone Project are not within the scope of IFRS 16, Leases as they grant the Company the right to explore, develop, produce or otherwise use the mineral resource contained in that land.

Areas of critical estimate include the economic recoverability and probability of future economic benefit of mineral, property, plant and equipment; valuation of investments in associates and real estate properties under development, the determination of asset retirement obligations, and the determination of the fair value of financial instruments. For more details, refer to Note 2 and 3 of the audited consolidated financial statements for the year ended September 30, 2020 for a more detailed discussion of the critical accounting estimates and judgments.

ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

The following IFRS pronouncement were adopted effective October 1, 2019.

- **IFRS 16** – Leases: IFRS 16 introduced a single accounting model for lessees. The Company, as 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. The Company was permitted to elect to not apply IFRS 16 to leases with a term of less than 12 months, which election is made by the underlying class of assets to which the right of use asset relates, or leases where the underlying asset is of low value, which election is made on an asset by asset basis.

  The Company adopted this standard using the modified retrospective approach. Accordingly, the comparative information presented for the year ended September 30, 2019 has not been restated. Adoption resulted in the recognition of a lease liability and a related right of use asset of $196,068 on adoption.

- **IFRIC 23** – Uncertainty over Income Tax Treatments: This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Adoption of IFRIC 23 did not have an impact on the consolidated financial statements.

Accounting Standards Issued but Not Yet Effective

- **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.

OFF-BALANCE SHEET ARRANGEMENTS

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

RISKS AND UNCERTAINTIES

Risk Factors Relating to The Company's Business

The Company's ability to finance and develop the Milestone Project to production, generate revenues and profits from its natural resource properties, or any other resource property that it may acquire, currently or in the future, is dependent upon a number of factors. For a detailed discussion of these factors faced by the Company, please refer to the most recent Annual Information Form dated December 23, 2020.

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

Going concern risk

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

Environmental Risks and Hazards

All phases of the Company's mineral operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which may require stricter or changing standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulations, laws and permits, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Commodity price risk

The Company is exposed to commodity price risk. Commodity price risk is defined as the potential impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of potash, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company's future profitability and viability of development depends upon the world market price of potash. Potash prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of potash are produced in the future, a profitable market will exist for them. A decline in the market price of potash may also result in the Company reducing its mineral resources, which could have a material and adverse effect on the Company's value. The Company is not a potash producer as of September 30, 2020. Therefore, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Project risks

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

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

Weather conditions (including snow and flooding) may affect both the construction schedule and operations (in particular road restrictions may reduce the ability to ship product off-site). The Company has developed contingency plans to minimize the risk associated with weather events, including flexibility in construction schedules, contingencies, appropriate productivity factors, and product shipping plans. These include on-site storage and conducting an annual plant maintenance shutdown during the period of spring road bans. The COVID-19 pandemic could cause further disruptions to operations, construction and supplies. Management has taken measures including pre-screening, limiting to key personnel, cleaning & disinfection and social distancing to minimize on-site impact.

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

(Expressed in Canadian Dollars)

Risks of Financial Instruments

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in Note 23 of the audited consolidated financial statements for the year ended September 30, 2020. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to Note 23 of the audited consolidated financial statements for the year ended September 30, 2020.

Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, term deposits, accounts and other receivables, the carrying value of which represents the Company's maximum exposure to credit risk. Cash and cash equivalents and term deposits are held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. At September 30, 2020 the Company's principal credit risk relating to its accounts and other receivables, which is primarily comprised of goods and services taxes recoverable from the Government of Canada for which minimal credit risk exists. Details regarding the accounts receivable are included in Note 23 of the audited consolidated financial statements for the year ended September 30, 2020.

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, 2020, the Company had cash of $6,711,404 and a credit facility with an undrawn amount of $5,000,000. The Company's major liabilities and obligations mature as follows:

	1 Year	**2 Year**	**3 Year**	**4 Year**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	39,125,305	-	-	-
Mortgage on real estate properties under development	13,010,836	-	-	-
Loans payable	-	-	30,000	35,000,000
Promissory notes	4,320,000	-	-	-
Payable on legal settlement	534,845	450,845	220,563	-
Financing arrangement	-	-	9,700,000	-
Total undiscounted value	**56,990,986**	**450,845**	**9,950,563**	**35,000,000**
Carry value as of September 30, 2020	**56,990,986**	**450,845**	**7,856,134**	**26,495,427**

The Company will need to raise additional funds to meet its obligations. The mortgage on real estate properties under development was due on October 5, 2020 and but was extended the mortgage for an additional 6-month period with the intention to exercise the option to extend for an additional 6-month period at that time. The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available credit facilities, changes in commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2020. 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.

The Company is exposed to interest rate risk through the mortgages on real estate properties under development, which bears interest at a variable rate. Based on the outstanding amount as of September 30, 2020, an increase or decrease in the prime rate by 100 basis points would result in approximately $130,000 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 ("CA$"). 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 CA$, United States dollars ("US$"), and Brazilian Real ("BRL"); therefore, USD and BRL accounts are subject to fluctuation against the CA$.

As at September 30, 2020, the Company had the following balances in foreign currency which were subject to foreign exchange risk:

	US$	BRL$
Cash	15,733	-
Term deposits, including restricted cash	42,674	-
Accounts payable and accrued liabilities	(2,995,736)	-
Payable on legal settlement	-	(3,174,936)
	(2,937,329)	**(3,174,936)**
Rate to convert to $1.00 CAD	1.3339	0.2368
Equivalent to CAD	**(3,918,103)**	**(751,825)**

Based on the above net exposures as at September 30, 2020, 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 $47,000.

Risk of global outbreaks and contagious diseases

The risk of global outbreaks, including COVID-19, have the potential to significantly and adversely impact the Company's operations and business. On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic. The Company is continuously evaluating the uncertainty and impact of the outbreak on the Company and its ability to operate due to employee absences, the length of travel and quarantine restrictions imposed by governments of affected countries, disruption in the Company's supply chains, information technology constraints, government interventions, market volatility, overall economic uncertainty and other factors currently unknown and not anticipated.

There can be no certainty that COVID-19, or other infectious illness, and the restrictive measures implemented to slow the spread of the virus will not materially impact the Company's operations or personnel in the coming weeks and months. 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, results of operations or ability to raise funds at this time.

DISCLOSURES CONTROLS & PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company have assessed or caused to be assessed the effectiveness of the Company's disclosure control procedures ("DC&P") and internal control over financial reporting ("ICFR"), which have been designed or caused to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has relied upon certain informal procedures and communication to maintain the effectiveness of disclosure controls and procedures and to continually improve and upgrade the design and evaluation of its DC&P and ICFR. However, there can be no assurance that the risk of a material misstatement in the annual financial statements can be reduced to less than a remote likelihood.

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. Management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of ICFR as at September 30, 2020. In conducting this evaluation, the Company used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). Based on its evaluation, the Company's Chief Executive Officer and Chief Financial Officer as at September 30, 2020 concluded that the Company's ICFR and DC&P was not effective as at September 30, 2020 because of a material weakness identified in the design of a control relating to the identification and recording of expenditures as mineral property, plant and equipment and the related payable. Specifically, a review of hold-back provisions provided by a few vendors was not recorded as mineral property, plant and equipment and the related payable obligations and invoices related to the year ended September 30, 2020 that were received and/or approved subsequent to year end were not accrued for.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The Company responded to the material weakness by implementing a more rigorous review process related to the identification of hold-back provisions and related recording as mineral property, plant and equipment and accounts payable. This included highlighting all vendor agreements with hold-back provisions and ensuring the related hold-back amounts are recorded based on the underlying invoices. In addition, cut-off testing will ensure all relevant items will be recorded in the appropriate period. Follow-up testing of these controls will occur as part of the closing procedures for the quarter ending December 31, 2020.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.