



**ANNUAL INFORMATION FORM**

**("AIF")**

**of**

**Western Resources Corp.**

**(Formerly: Western Potash Corp.)**

**(the "Company")**

**1400 – 1111 West Georgia Street,**  
**Vancouver, BC V6E 4M3**

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**Dated: December 18, 2018**

## TABLE OF CONTENTS

<b>ITEM 1: PRELIMINARY NOTES</b> .....	5
1.1 Incorporation of Financial Statements, Proxy Circular and Other Documents .....	5
1.2 Date of Information .....	6
1.3 Glossary of Terms.....	6
1.4 Conversion Table .....	7
1.5 Currency .....	7
<b>ITEM 2: CORPORATE STRUCTURE</b> .....	7
2.1 Name, Address and Incorporation .....	7
2.2 Intercorporate Relationships .....	8
<b>ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS</b> .....	8
3.1 Three-Year History.....	8
3.2 Significant Acquisitions .....	13
<b>ITEM 4: DESCRIPTION OF THE BUSINESS</b> .....	13
4.1 General Description .....	13
4.2 Risk Factors Relating to the Company's Business .....	14
4.3 Asset-backed Securities Outstanding .....	20
4.4 Material Mineral Projects .....	20
<b>ITEM 5: DIVIDENDS &amp; DISTRIBUTIONS</b> .....	20
5.1 Dividends & Distributions.....	25
<b>ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE</b> .....	26
6.1 General Description of Capital Structure.....	26
6.2 Constraints .....	26
6.3 Ratings .....	26
<b>ITEM 7: MARKET FOR SECURITIES</b> .....	26
7.1 Trading Price and Volume .....	26
<b>ITEM 8: ESCROWED SECURITIES</b> .....	27
8.1 Escrowed Securities .....	27
<b>ITEM 9: DIRECTORS AND OFFICERS</b> .....	27
9.1 Name, Occupation and Security Holdings .....	27
9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions .....	29
9.3 Conflicts of Interest.....	30
<b>ITEM 10: PROMOTERS</b> .....	30
10.1 Promoters .....	30
<b>ITEM 11: LEGAL PROCEEDINGS and Regulatory Actions</b> .....	30
11.1 Legal Proceedings and Regulatory Actions .....	30

<b>ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....</b>	<b>31</b>
<b>12.1 Interest of Management and Others in Material Transactions .....</b>	<b>31</b>
<b>ITEM 13: TRANSFER AGENT AND REGISTRAR.....</b>	<b>32</b>
<b>13.1 Transfer Agent and Registrar.....</b>	<b>32</b>
<b>ITEM 14: MATERIAL CONTRACTS.....</b>	<b>32</b>
<b>14.1 Material Contracts.....</b>	<b>32</b>
<b>ITEM 15: INTERESTS OF EXPERTS.....</b>	<b>32</b>
<b>15.1 Names of Experts .....</b>	<b>32</b>
<b>15.2 Interests of Experts .....</b>	<b>32</b>
<b>ITEM 16: ADDITIONAL INFORMATION .....</b>	<b>32</b>
<b>16.1 Additional Information .....</b>	<b>32</b>
<b>16.2 Audit Committee.....</b>	<b>33</b>

## **CAUTION – FORWARD LOOKING STATEMENTS**

Certain information, estimates and projections contained herein, if any, constitute forward-looking statements regarding the Company, its operations and projects, including, but not limited to, its Milestone Project. All statements that are not historical facts, involving without limitation, statements regarding future projections, plans and objectives, securing a strategic partner and financing requirements and the ability to fund future mine development are forward-looking statements, or forward-looking information. Forward-looking information and statements involve risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such information or statements. Such risk factors and uncertainties include, but are in no way limited to, statements with respect to the effect and estimated timeline of the drilling and assay results on the Company, the estimation of mineral reserves and mineral resources, the timing and amount of estimated future exploration, costs of exploration, capital expenditures, success of exploration activities, permitting time lines and permitting, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, fluctuations in mineral prices and other risk factors, as discussed in the Company's filings with Canadian securities regulatory agencies. Generally, forward-looking information can be identified by the use of forward-looking terminology 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 statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Material assumptions and factors used to develop and forward-looking information disclosed herein (if any) will be set out and disclosed with such information. There can be no assurance that such 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 and forward-looking information. The Company disclaims any obligation to update any forward-looking statements or information, other than as may be specifically required by applicable securities laws and regulations. The Company seeks safe harbour.



## ITEM 1: PRELIMINARY NOTES

### 1.1 Incorporation of Financial Statements, Proxy Circular and Other Documents

The information provided in this Annual Information Form (the “AIF”) is supplemented by disclosure contained in the documents listed below which are incorporated by reference into this AIF. These documents must be read together with the AIF in order to provide full, true and plain disclosure of all material facts relating to Western Resources Corp. (the “Company”). The documents listed below are not contained within nor attached to this document. The documents may be accessed by the reader as follows:

<u>Type of Document</u>	<u>Effective Date / Period Ended</u>	<u>Date Filed / Posted</u>	<u>Document Name which may be viewed at the SEDAR website at “www.sedar.com” (or alternative location for non-SEDAR documents)</u>
Audited annual financial statements (most recent) and Management Discussion and Analysis	September 30, 2018	December 19, 2018 (approximately)	Audited Annual Financial Statements – English, and Management Discussion and Analysis – English
NI 43-101 Technical Report titled “NI 43-101 Technical Report Summarizing the Scoping Study for a Pilot-Scale Selective Solution Mining Operation on the Milestone Project (Subsurface Mineral Lease KLSA 008), Saskatchewan” The related Qualification Certificates and Consent Letters of the authors were posted to SEDAR on, or about, the same date	Dated August 4, 2015, effective July 2, 2015	August 14, 2015	Technical Report (NI 43-101) – English  Earlier technical reports with additional disclosure, including earlier results, risks, and covering other properties, can also be found on the SEDAR website.
Interim financial statements (most recent) and Management Discussion and Analysis	June 30, 2018	August 14, 2018	Interim Financial Statements – English, and Management Discussion and Analysis – English
Management Information Circular	January 31, 2018	January 31, 2018	Management Information Circular - English
Advance Notice Policy	January 25, 2013	January 30, 2013	Material document - English
Shareholder Rights Plan Agreement	March 9, 2018	March 9, 2018	Security holders documents - English
News Releases for 2008 to 2018	Various dates	Various dates	News Release – English
Reporting Insider Information – Disclosure of security holdings in the Company by certain persons	Various dates	Various dates	The System for Electronic Disclosure by Insiders (SEDI) - on-line, browser-based service for the filing and viewing of insider reports: www.sedi.ca

## 1.2 Date of Information

All information in this AIF is as of December 18, 2018 unless otherwise indicated and the information contained herein is current as of such date, other than certain financial information which is current as of September 30, 2018, being the date of the Company's most recently completed financial year end.

## 1.3 Glossary of Terms

Certain terms used throughout this AIF are defined below:

<p>“<b>Assay</b>” means, in economic geology, to analyze the proportions of mineral in a rock or overburden sample; to test an ore or mineral for composition, purity, weight or other properties of commercial interest.</p>
<p>“<b>carnallite</b>” means a hydrous chloride of magnesium and potassium with a chemical formula of <math>\text{KMgCl}_3 \cdot 6\text{H}_2\text{O}</math>.</p>
<p>“<b>CIM</b>” means the Canadian Institute of Mining, Metallurgy and Petroleum.</p>
<p>“<b>common shares</b>” means common shares of the Company, unless otherwise specified.</p>
<p>“<b>cut-off grade</b>” means the lowest grade of mineralized material that qualifies as ore in a given deposit; rock of the lowest assay included in an ore estimate.</p>
<p>“<b>Deposit</b>” means a mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing ore reserves, until final legal, technical, and economic factors have been resolved.</p>
<p>“<b>Dip</b>” means the angle at which a stratum is inclined from the horizontal.</p>
<p>“<b>evaporite</b>” means any of a variety of individual minerals found in the sedimentary deposit of soluble salts that result from the evaporation of water.</p>
<p>“<b>g/t</b>” means grams per metric ton.</p>
<p>“<b>halite</b>” means the mineral form of sodium chloride.</p>
<p>“<b>host</b>” means a rock or mineral that is older than rocks or minerals introduced into it.</p>
<p>“<b>Inferred Mineral Resource</b>” means that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.</p>
<p>“<b>K<sub>2</sub>O</b>” is the chemical formula for potassium oxide, the calculated grade of which is used as a standard of comparison between different potash minerals .</p>
<p>“<b>KCl</b>” is the chemical formula for potassium chloride, also known as muriate of potash (MOP).</p>
<p>“<b>member</b>” means a distinct unit within a particular geological formation.</p>
<p>“<b>Milestone Project</b>” means the Company's principal property located in central Saskatchewan approximately 35 kilometers (km) southeast of Regina. See Item 4.4 – Material Mineral Projects, for additional information.</p>
<p>“<b>Mineralization</b>” means the concentration of minerals and their chemical compounds within a body of rock.</p>
<p>“<b>Mineral Resource</b>” means a concentration or occurrence of material including base and precious metals, coal, and industrial minerals, including potash, in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.</p>
<p>“<b>Mt</b>” means one million metric tonnes.</p>
<p>“<b>Ore</b>” means a metal or mineral or a combination of these of sufficient value as to quality and quantity to enable it to be mined at a particular location at a profit.</p>
<p>“<b>potash</b>” means any of several compounds containing potassium, especially soluble compounds containing</p>

potassium chloride or potassium sulfate.
“ <b>potassium chloride</b> ” means the crystalline solid or powder that is widely used in fertilizers, commonly known as muriate of potash.
“ <b>potassium oxide</b> ” means the compound comprised of potassium and oxygen. Historically, this compound was obtained by burning organic matter containing potassium in a large pot – hence the term “pot ash.”
“ <b>Prairie Evaporite</b> ” means the salt unit of the Middle Devonian Prairie Formation, composed primarily of halite salt with lesser amounts of potassium salts such as carnallite and sylvite.
“ <b>range</b> ” means a number assigned to a township by measuring east or west of a principal meridian.
“ <b>Salt Back</b> ” means a bed of salt, typically halite rich, found above a potash bearing unit.
“ <b>Sediment</b> ” means solid material that has settled down from a state of suspension in a liquid. More generally, solid fragmental material transported and deposited by wind, water or ice, chemically precipitated from solution, or secreted by organisms, and that forms in layers in loose unconsolidated form.
“ <b>sylvinite</b> ” means sylvite-bearing rock mixed in varying degrees with halite, carnallite, anhydrite, dolomite and clays.
“ <b>sylvite</b> ” means the natural form of potassium chloride.
“ <b>township</b> ” means the principal unit of the rectangular survey system being a square comprised of six-mile long sides consisting of 36 sections with an aggregate area of 36 square miles.
“ <b>Technical Report</b> ” means the revised and updated NI 43-101 Technical Report titled “ <b>NI 43-101 Technical Report Summarizing the Scoping Study for a Pilot-Scale Selective Solution Mining Operation on the Milestone Project (Subsurface Mineral Lease KLSA 008), Saskatchewan</b> ” dated August 14, 2015 and effective July 2 <sup>nd</sup> , 2015, as filed on SEDAR. .
“ <b>TSX</b> ” means the Toronto Stock Exchange.

#### 1.4 Conversion Table

In this AIF, a combination of Imperial and metric measures is used with respect to mineral properties located in Canada. Conversion rates from Imperial measure to metric and from metric to Imperial are provided below:

Imperial Measure	Metric Unit	Metric Measure	Imperial Unit
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 metre	0.3048 metres	1 foot
0.62 miles	1 kilometre	1.609 kilometres	1 mile
0.032 ounces (troy)	1 gram	31.1 grams	1 ounce (troy)
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy)/ton	1 gram/tonne	34.28 grams/tonne	1 ounce (troy)/ton

#### 1.5 Currency

Unless otherwise indicated, all dollar amounts are stated in Canadian dollars.

### ITEM 2: CORPORATE STRUCTURE

#### 2.1 Name, Address and Incorporation

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

Western Potash Corp. was incorporated on April 5, 2007 under the British Columbia Business Corporations Act using the name 787604 BC Ltd. The Company changed its name from 787604 BC Ltd. to Western Potash Corp. on July 10, 2007. On October 1, 2011, Western Potash Corp. amalgamated with its subsidiary WPX Land Holdings

Corp., a company that was originally incorporated in the province of Saskatchewan on August 20, 2009, and retained the jurisdiction, name, board of directors and articles of the parent company, Western Potash Corp.

On March 31, 2017, Western Potash Corp. 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. The Company is a reporting company in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

The Company's address is as follows:

Head office: Suite 1400 – 1111 West Georgia Street  
Vancouver, BC, V6E 4M3  
Canada

Registered and records office: Bennett Jones LLP  
Guinness Tower, Suite Nos. 2200 and 2300  
1055 West Hastings Street  
Vancouver, BC, V6E 2E9  
Canada

## **2.2 Intercorporate Relationships**

The Company controls four wholly owned subsidiaries, Western Potash Corp., a company incorporated in the province of British Columbia on April 5<sup>th</sup>, 2007 and continued out to the province of Saskatchewan on September 5<sup>th</sup> 2017, 0907414 B.C. Ltd., a company incorporated in the province of British Columbia on April 5<sup>th</sup> 2011, Milestone Potash Corp., a company incorporated in the province of Saskatchewan on October 23<sup>rd</sup> 2015, and Western Garden Properties Corp., a company incorporated in the province of British Columbia on May 12<sup>th</sup>, 2017.

## **ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS**

### **3.1 Three-Year History**

The Company was incorporated on January 16, 2017 by Western Potash Corp. ("Western Potash") under the British Columbia Business Corporations Act. Western Potash Corp. was incorporated on April 5, 2007 under the British Columbia Business Corporations Act under the name 787604 BC Ltd., and on March 31, 2017, Western Potash Corp. completed a corporate reorganization with the Company, pursuant to which Western Potash became a wholly-owned subsidiary of the Company. Since inception, it has been engaged in the business of acquisition, exploration and, if warranted, development of potash mineral properties. The Company currently owns or holds, directly or indirectly, interests in a potash property located in Southern Saskatchewan, referred to herein as the Milestone Project. The Milestone Project is viewed by management as the material property of the Company.

Events affecting the development of the Company's business over the last three years, beginning October 1, 2015, are set out below, elsewhere in this AIF, in Item 4 and in the material incorporated into this AIF by reference as set out in Item 1.1.

On October 30, 2015 the Company received approval from the Toronto Stock Exchange to make a Normal Course Issuer Bid to purchase up to 13.65 million of the Company's issued and outstanding Common Shares being approximately 2.9% of the 467,185,559 Common Shares outstanding at October 29, 2015. The Company announced termination of the bid on April 15, 2016 having purchased a total of 3.88 million shares at an average price of approximately \$0.196 per share.

On April 6, 2016 the Company announced the resignations of Bill Xue, Patrick Power and Limin Sun from the Board of Directors.

On July 25, 2016 the Company announced the appointment of KPMG LLP as external auditor replacing A. Chan & Co. LLP.

On July 29, 2016, Mr. Xia Qinglong was appointed CBCHC's nominee to the Board replacing Mr. Wang Hui who resigned from CBCHC.

On October 5, 2016 the Company announced the re-appointment of Bill Xue and Patrick Power to the Board of Directors. Mr. Zheng Mianping was also appointed to the Board of Directors. The resignation of Mr. Wang Yinping was accepted on this date. Mr. Geoffrey Chang assumed the role of CEO from Mr. Patricio Varas.

On November 30, 2016, AMEC Foster Wheeler submitted to the Company a Final Report on the proposed Selective Solution Mine Pilot Project. The report provides an AACE Level 3 CAPEX and OPEX for a Pilot Project using a 'selective solution mining methodology'. The purpose of the Pilot Project is to test and optimize the conceptual horizontal solution mining method and to investigate how the method can be applied to full-scale potash production.

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. Under the terms of the Arrangement, all security holders of Western Potash (common shares and stock options) received 0.2 common shares or 0.2 stock options of the Company respectively for each one (1) Western Potash common share or stock option held. The Arrangement was approved by the Western Potash shareholders at its annual general and special shareholder's meeting on March 9, 2017. Upon completion of the Arrangement, the Company owns 100% of the outstanding shares of Western Potash which is a development stage potash company focused on building a mine at its 100% owned Milestone property (the "Milestone Project").

On March 31, 2017, upon completion of the plan of arrangement where Western Potash became a wholly-owned subsidiary of the Company, Western Potash's existing Board of Directors Patricio Varas, Buddy Doyle, Patrick Power, and Zheng Mianping are no longer members of the Board of Directors of the Company.

On April 5, 2017, the common shares of Western Potash were delisted by the Toronto Stock Exchange and the common shares of the Company commenced trading under the symbol WRX. All stock options, common share and per share amounts in these condensed consolidated financial statements have been adjusted to give retroactive effect to the effective 5 to 1 share consolidation resulting from the Arrangement. The Company's shares also began trading on the Frankfurt Stock Exchange effective April 7, 2017 under the symbol WR0.

On April 5, 2017, the Company appointed James Moore and Jennifer Fang to the Company's Board of Directors. On the same date, the Company also announced the re-appointment of Mr. Wang Yinping to the Board of Directors.

On September 1, 2017, Mr. Troy Nikolai resigned from the position of CFO, and on the same date, Mr. George Gao was appointed as Acting CFO.

On September 11, 2017, Western Resources announced that its wholly owned subsidiary Western Potash Corp. and the City of Regina ("the city") have both agreed to the revised key commercial terms for the supply of treated wastewater from the city for the Company's proposed Milestone Potash Project. Regina's City Council voted in favor of the agreement at its meeting on October 31, 2017.

On March 9, 2018, Western Resources shareholders approved all items put before them at the Company's Annual General Meeting. These include the reappointment of KPMG LLP as auditors of the Company at a remuneration to be fixed by the directors; fixed the number of directors of the Company at 6; the election of James Moore, Bill Xue, Geoffrey Chang, Xia Qinglong, Wang Yinping and Jennifer Fang to the Board; and approval of the Company's 2018 Shareholder Rights Plan.

On April 19, 2018, Western Resources Board of Directors approved a three-phase development plan for the Milestone Potash Project and the Phase I early works.

On May 18, 2018, Western Potash Corp entered into an agreement with SNC-Lavalin Inc. to complete the detailed engineering for the Milestone Phase I Selective Solution Mining Project (“the Project”) located in southern Saskatchewan.

On July 23, 2018, Western Resources announced that its wholly owned subsidiary Western Potash Corp. has successfully developed a groundwater supply source for the proposed Milestone Phase I Potash Project located 35 km southeast of Regina, Saskatchewan. Water pump test results show that the groundwater source can fully support the water requirements for the Phase I Project. The Milestone Phase I Project requires approximately 40 cubic meters of water per hour (m<sup>3</sup>/hour) as determined by Western’s mining engineering consultant AGAPITO Associates Ltd. Western utilized existing geophysical data from the project exploration phase and established a well location 8km southeast of the plant site as the optimal place for the groundwater source. The selection of a groundwater source was based on a detailed examination of all possible water source options, with full consideration of minimizing the impact on the community and environment.

On November 16, 2018, Saskatchewan Water Security Agency granted the approval to operate works and water rights license for the well.

On September 26, 2018, Western Resources Board of Directors approved management appointments and adjustments, effective October 1<sup>st</sup>, 2018. These include appointments of George Gao as Chief Financial Officer (previously Acting CFO), who will no longer hold the position of Chief Operating Officer of Western Resources Corp.; Matthew Wood as Vice President Technology, and will no longer hold the position of Vice President Projects; Michael Green as Vice President Projects.

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 reached the designed capacity, for a duration of 10 years.

On November 12, 2018, the Company’s 100% owned subsidiary, Western Potash Corp. entered into a Limited Notice to Proceed Agreement (“LNTP”) with SNC-Lavalin Inc. 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 foregoing items setting out the general development of the Company over the last three fiscal years, unless otherwise specified, and are in addition to those items that are set out in the material incorporated into this AIF by reference as set out in Item 1.1.

Qualified Person - The in-house qualified person responsible for the review of the technical content of this Annual Information Form is Gregory Vogelsang, P.Eng., P. Geo., Project Manager for Western Potash Corp.

### **Investments in Associates**

On May 24, 2017, the Company's Board of Directors has approved an investment proposal on low-rise multi-family development projects with Formwerks Boutique Properties. 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. 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. 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.

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.

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.

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. 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 \$6,443,292 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.

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.

On June 22, 2018, Western Garden entered into a shareholder 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. 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 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 receivable of \$9,260,000 plus interest in full to the Company on December 11, 2018.

On May 3, 2018, 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, Western Garden 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. 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.

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 are required to contribute to Alabaster LP in the form of capital contributions representing its 80% interest in Alabaster LP. Western Garden has made total capital contributions of \$534,000 to Alabaster LP since September 30, 2018.

### **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 1, 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.

### **Loans Receivable**

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.

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.

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.



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.

### **3.2 Significant Acquisitions**

There were no significant acquisitions completed by the Company during its most recently completed fiscal year ended September 30, 2018, other than as provided in this AIF.

## **ITEM 4: DESCRIPTION OF THE BUSINESS**

### **4.1 General Description**

#### *The Business of the Company*

The Company was incorporated on January 16, 2017 by Western Potash Corp. (“Western Potash”) under the British Columbia Business Corporations Act. Western Potash Corp. was incorporated on April 5, 2007 under the British Columbia Business Corporations Act under the name 787604 BC Ltd., and on March 31, 2017, Western Potash Corp. completed a corporate reorganization with the Company, pursuant to which Western Potash became a wholly-owned subsidiary of the Company. Since inception, it has been engaged in the business of the acquisition, exploration and, if warranted, development of potash mineral properties. The Company is currently engaged in the acquisition, exploration and, if warranted, development of potash mineral properties in North America, but has previously acquired potash mineral properties in Brazil. The Company currently owns or holds, directly or indirectly, interests in a potash property located in Southern Saskatchewan, referred to herein as the Milestone Project. The Milestone Project is viewed by management as the material property of the Company. Details of the Company’s interests held in various mineral properties during the year are provided in Items 4.4 and 12.1.

The Company acquires mineral properties or interests in mineral properties by staking initial claims, negotiating for permits from government authorities, negotiating with holders of claims or permits, purchasing companies with claims or permits or by investing in mining companies. The Company carries out mineral exploration and engineering studies on its material mineral properties. Exploration for minerals usually includes surface sampling, airborne and/or ground geophysical surveys and drilling. The Company is not limited to any particular mineral or region, but the corporate focus is on potash in North America, and the province of Saskatchewan in particular.

In fiscal year ended September 30, 2018, to increase the return on cash assets before cash assets are used to advance Phase I of the Milestone Project, the Company invested excess funds in real estate development in the greater Vancouver area.

#### *Trends*

The global market for potash improved slightly in 2017, with prices increasing slightly in the last part of the year. Marginal increases in 2018 have continued in both price and demand. However, such prices are subject to wide fluctuations. The scarcity of economically minable potash deposits as well as the high capitalization costs involved in bringing a deposit to production continue to pose significant barriers to entry for the industry. Population growth, a limited supply of arable land, rising incomes in the developing world and higher meat consumption combine to require higher crop yields per parcel of land. This results in increasing demand for fertilizer. Also see Item 4.2 – Risk Factors Relating to the Company’s Business.

#### *Competitive Conditions*

Global potash production is dominated by fewer than 10 major participants. These are generally large, well established mining companies with substantial capabilities and significant financial and technical resources. Accordingly, the Company may be unable to compete for, acquire rights to, or exploit attractive mining properties on terms it considers acceptable. There can be no assurance that the Company will be able to acquire any interest in

additional projects that would yield reserves or results for commercial mining operations. Also see Item 4.2 – Risk Factors Relating to the Company’s Business.

### ***Reorganization***

Milestone Potash Corp., a wholly owned subsidiary of Western Potash Corp., was incorporated on October 23, 2015.

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.

### ***Environmental Protection***

Environmental legislation is evolving in a manner such that standards, enforcement, fines and penalties for non-compliance are becoming stricter and can be foreboding. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. To the best knowledge of the Company, it is in compliance with all environmental laws and regulations in effect in those countries where its properties are located. Also see Item 4.2 – Risk Factors Relating to the Company’s Business.

### ***Number of Employees***

As of December 18, 2018, the Company had 9 employees and 4 consultants.

## **4.2 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, including, without limitation, the following:

### ***Stage of Development***

The Company has a limited history of operations and no material earnings to date and there can be no assurance that its business will be successful or profitable or that commercial quantities of potash will be discovered or commercialized. Development of the Company’s properties will only follow upon obtaining continuing satisfactory exploration results and being able to obtain sufficient financing to continue the development and eventual commercial production of potash. Mineral exploration and development are speculative in nature and involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that the Company’s mineral exploration and development activities will result in any additional discoveries of reserves of potash or that the current reserves or resources will be developed to production or be commercially viable. The long-term profitability of the Company’s operations will be in part directly related to the cost and success of its development and exploration programs, which may be affected by a number of factors, some of which are set out herein.

Substantial expenditures are required to establish resources and reserves through drilling and development and for mining and processing facilities and infrastructure. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company’s control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for minerals, the proximity and capacity of milling facilities, mineral markets and processing

equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

### ***No History of Mineral Production***

The Company has never had any interest in mineral producing properties. There is no assurance that commercial quantities of minerals will be recovered from the Milestone Project or any future properties, nor is there any assurance that the Company's exploration programs thereon (if any) will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any of the Company's properties will ever be brought to a stage where mineral resources can profitably be produced thereon. Factors which may limit the Company's ability to produce mineral resources from its properties include, but are not limited to, the price of the mineral resources, which are currently being explored for, availability of additional capital and financing, the actual costs of bringing properties into production and the nature of any mineral deposits.

### ***Operating Hazards and Risks***

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of mineral resources, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and/or removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although the Company intends to take adequate precautions to minimize risk, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. The Company may become subject to liability hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### ***Commodity Price Fluctuations***

The Company does not have any potash mining operations. The profitability of any such operations in which the Company has, or may have an interest, will be significantly affected by changes in the market prices of potash. Prices for potash fluctuate, and have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of potash, foreign currency exchange rates, international investments, monetary systems and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values.

### ***Calculation of Reserves and Resources and Potash Recoveries***

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades to be mined and recovered. Until reserves or resources are actually mined and processed, the quantities of mineralization and grades must be considered as estimates only. Fluctuations in mineral prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources could have a material adverse effect on the Company's properties, consolidated results of operations and consolidated financial condition.

### ***Significant Shareholders and Board Appointment***

As of the date hereof, Beijing Tairui Innovation Capital Management Ltd. owns and controls 47,652,927 common shares of the Company representing 51% of the current issued and outstanding common shares. Tairui has appointed three nominees to the Board of Directors and also has nominees on several of the Company's other committees. CBC (Canada) Holding Corp. ("CBCHC") owns, and controls, an aggregate of 9,437,148 common shares of the Company, representing 10.1% of the current issued and outstanding common shares. CBCHC has appointed one nominee to the Board of Directors of the Company and has nominees on several of the Company's other committees.

Both Tairui and CBCHC have pre-emptive rights to maintain a *pro rata* percentage of the common shares. Accordingly, subject to applicable law and the fiduciary duty of the Company's directors and officers, Tairui and CBCHC may be able to exercise significant influence over all matters requiring shareholder approval without the consent of its other shareholders, including the election of directors and approval of significant corporate transactions and will be able to exercise significant influence over significant corporate transactions. This may have a material adverse effect on the market price or value of the common shares and a material adverse effect on the Company's business, financial condition and results of operations.

### ***Reclamation***

There is a risk that monies allotted for land reclamation may not be sufficient to cover all risks, due to changes in the nature of the project and/or revisions to government regulations. Therefore additional funds, or reclamation bonds or other forms of financial assurance may be required over the tenure of any mineral project of the Company to cover potential risks. These additional costs may have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Government Regulation***

Operations, development and exploration on the Company's properties are affected to varying degrees by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price controls, tax increases, maintenance of claims, tenure, limitations on assignability or corporate ownership of mineral properties, first nations or indigenous peoples claims and expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations.

The activities of the Company require licenses and permits from various governmental authorities. While the Company currently has been granted the requisite licenses and permits to enable it to carry on its existing business and operations, there can be no assurance that the Company will be able to obtain all the necessary licenses and permits which may be required to carry out exploration, development and mining operations for its projects or to sell its projects or the Company itself.

### ***Indigenous Peoples***

Various international and national laws, codes, resolutions, conventions, guidelines, and other materials relate to the rights of indigenous peoples. The Company operates in some areas presently or previously inhabited or used by indigenous peoples. Many of these materials impose obligations on government to respect the rights of indigenous people. Some mandate that government consult with indigenous people regarding government actions which may affect indigenous people, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national materials pertaining to indigenous people continue to evolve and be defined. The Company's current and future operations are subject to a risk that one or more groups of indigenous people may oppose continued operation, further development, or new development of the Company's projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities. Opposition by indigenous people to the Company's operations may require modification of or preclude operation or development of the Company's projects or may require the

Company to enter into agreements with indigenous people with respect to the Company's projects. Such agreements may have a material adverse effect on the Company's business, financial condition and results of operations

### ***Environmental Factors***

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the Company's properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties.

### ***Title to Assets***

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the leases or claims in which it holds direct or indirect interests. The precise area and location of such leases or claims may be in doubt. The Company's leases or claims may be subject to prior unregistered agreements or transfers or first nations or indigenous land claims and title may be affected by unidentified or unknown defects.

### ***Additional Capital***

At September 30, 2018, the Company has incurred operating losses in the mining segment since inception and expects to incur further losses during the development and construction of the Milestone Project. To date, the Company has not recorded any revenues from its mining operations nor has the Company commenced commercial production on any property. There can be no assurance that the Company will have sufficient capital resources to continue as a going concern, that significant losses will not continue to occur in the near future or that the Company will be profitable in the future. The Company's development of its properties, including the construction of mining facilities, the commencement of mining operations in the future, and the investment and development in its real estate projects, will require substantial additional financing. Failure to obtain sufficient financing may result in a delay or indefinite postponement of development or production on any or all of the Company's properties, and may lead to a loss of all interest in its mineral properties, including the Milestone Project or the termination of its operations. Additional financing may not be available when needed. Even if such additional financing is available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to existing shareholders or sale of other disposition of an interest in any of the Company's assets or properties. Failure to raise capital when needed could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Competition and Agreements with Other Parties***

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future, or its ability to fund the Milestone Project.

The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result, or these costs may become a material outstanding liability of the Company. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs, or could be required to pay such costs in certain circumstances.

### ***Potential Conflicts of Interest***

The directors and officers of the Company may serve as directors and/or officers for other public and private companies, including companies in which the Company has invested in, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, and to the extent that such companies may receive funds from the Company, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions. There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger programs; (ii) acquire an interest in a greater number of programs; and (iii) reduce their financial exposure to any one program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the Company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. Also see Item 9.3.

### ***Key Executives & Outside Consultants***

The Company is dependent upon the services of key executives, including the directors of the Company, and will be dependent on a small number of highly skilled and experienced executives and personnel as development plans progress at the Milestone Project. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

The Company has also relied upon outside consultants, geologists, engineers and others and intends to rely on these parties for their exploration and development expertise. Substantial expenditures are required to construct mines, to establish mineral resources and reserves estimates through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes and to develop the development, exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Litigation***

Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Like most companies, the Company is subject to the threat of litigation and may be involved in disputes with other parties in the future which may result in litigation or other proceedings. The results of litigation or any other proceedings cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Insurance and Uninsured Risks***

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to exploration and evaluation assets or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability. Although the Company may maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be

adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect on the Company's business, financial condition and results of operations.

### ***Potential Volatility of Market Price of Common Shares and Related Litigation Risks***

Securities of publically listed companies such as the Company have, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the common shares. In addition, the market price of the common shares is likely to be highly volatile. Factors such as potash prices, the average volume of shares traded, announcements by competitors, changes in stock market analysts' recommendations regarding the Company and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Company's shares. It is likely that the Company's results or development and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market analysts and investors and, in such event, the market price of the common shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Company, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial position and results of operations.

### ***Future Sales of Common Shares by Existing Shareholders***

Sales of a large number of common shares in the public markets, or the potential for such sales, could decrease the trading price of the common shares and could impair the Company's ability to raise capital through future sales of common shares. The Company has previously completed private placements at prices per share which may be, from time to time, lower than the market price of the common shares. Accordingly, a significant number of the Company's shareholders at any given time may have an investment profit in the common shares that they may seek to liquidate.

### ***Technical Information and Project Risks***

The disclosure in this Annual Information Form of a scientific or technical nature of the Company's material properties, including disclosure of mineral reserves and resources, is based, in part, on the Technical Report prepared for the Milestone Project in accordance with NI 43-101, and other information that has all been prepared by or under the supervision of "qualified persons" (as such term is defined in NI 43-101). The Technical Report, and previous technical reports, have been filed on SEDAR and can be reviewed at [www.sedar.com](http://www.sedar.com). Actual recoveries of mineral products may differ from reported mineral reserves and resources due to inherent uncertainties in acceptable estimating techniques. In particular, "indicated" and "inferred" mineral resources have a great amount of uncertainty as to their existence, economic and legal feasibility. It cannot be assumed that all or any part of an "indicated" or "inferred" mineral resource will ever be upgraded to a higher category of resource. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Readers are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves. There are many additional risks associated with the Milestone Project that were identified in the Technical Report and elsewhere and such risks are incorporated by reference. See Item 1.1 and Item 4.4.

### ***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 risks relate 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 risks by registering a first charge security on the land acquired by these entities. Details regarding the loans receivable are included in the Company's consolidated financial statements Note 7 (b) and Note 8.

### ***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, etc. The market price of real estate projects may have significant fluctuations, which could adversely affect the Company's investment on the real estate projects. The management is in the view that the market risk in the foreseeable future is relatively limited and therefore is under control.

### ***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 Clive Development Limited Partnership 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.

The foregoing risk factors are in addition to those risk factors that are set out in the material incorporated into this AIF by reference as set out in Item 1.1.

## **4.3 Asset-backed Securities Outstanding**

Not applicable.

## **4.4 Material Mineral Projects**

### ***4.4.1 Milestone Project, Saskatchewan, Canada***

The Western Resources Corp. (hereinafter referred to as "WRX") Milestone Project is located in southern Saskatchewan approximately 35 kilometers (km) southeast of Regina. The project currently holds some 87,530 acres (including road allowances) of Crown mineral lands in Townships 13 through 15 and Ranges 17 through 19 West of the Second Meridian by means of Subsurface Mineral Lease KLSA 008, which was granted to WRX by the Government of Saskatchewan on May 18, 2010. This Lease incorporates the lands formerly held by WRX under Permits KP 408 and KP 409. The land included within the physical boundaries of the Lease area also includes 69,970 acres of Freehold land. WRX has agreements in place for the mineral rights covering 25,391 acres of this Freehold land as of November 2, 2016. Additional agreements for Freehold mineral rights have been completed and recorded; however, they do not convey 100 percent (%) of the mineral rights for any of the quarter-sections concerned, so the lands are not included in the lands with mineral rights controlled by WRX.

### ***Summary from the Technical Report on the Milestone Project***

The information set out below in this section 4.4.1 has been derived from and is based on the Summary set out in the National Instrument 43-101 ("**NI 43-101**") compliant Technical Report as filed by the Company on SEDAR on August 14, 2015, titled "**NI 43-101 Technical Report Summarizing the Scoping Study for a Pilot-Scale Selective Solution Mining Operation on the Milestone Project** (Subsurface Mineral Lease KLSA 008), Saskatchewan". ("**The 2015 Technical Report**") The 2015 Technical Report was prepared by Novopro Projects Inc. (Novopro) in conjunction with Agapito Associates Inc. The report was prepared for the Company by Drs. Douglas F. Hambley, P.E., P.Eng., P.G. and Bo Yu, P.E. of Agapito Associates Inc. and Mr. James Brebner, Eng. of Novopro, all independent Qualified Persons as defined by NI 43-101.



## Mineral Resource Estimates

Measured, Indicated, and Inferred Mineral Resources have been classified based on the volume of potash in cylinders centered on the cored and assayed drill holes on the Lease. The radius of influence (ROI) for each level of resource reflects the level of confidence in the continuity of the mineralization, with the ROI decreasing as the required level of confidence (Inferred < Indicated < Measured) increases. Measured, Indicated and Inferred Resources have been reported in previous National Instrument (NI) 43-101 Technical Reports for the Milestone Project. Differences between the resource tonnages reported in the present (2015) Technical Report and those reported in the November 2013 Technical Report (Hardy et al. 2013) arise from four sources:

1. Additional signed Lease Agreements concerning lands with Freehold mineral rights
2. Conversion of Proven and Probable Mineral Reserves in the Pilot Study area in Section 20, Township 14, Range 17 west of the Second Meridian back to Measured and Indicated Resources, respectively
3. Use of laboratory-measured, member-specific tonnage factors of 2.10 tonnes per cubic meter (t/m<sup>3</sup>) for the Patience Lake Member, 2.17 t/m<sup>3</sup> for the Halite Interbed, 2.12 t/m<sup>3</sup> for the Belle Plaine Member, and 2.07 t/m<sup>3</sup> for the Esterhazy Member
4. Removal of mining-related extraction and loss factors from the reported resource tonnages in accordance with current Canadian Institute for Mining Metallurgy and Petroleum (CIM) Mineral Reserve/Mineral Resource Committee practices (CIM 2014)

The ROIs, which are unchanged from previous TRs, are 0.8 km (0.5 mile) for Measured, 1.6 km (1 mile) (on the outside of wells) and 2.5 km (1.55 mile) (between closely spaced wells with seismic coverage) for Indicated and 8 km (5 mile) for Inferred categories.

The Pilot Study is based on a Mineral Resource in the Esterhazy Member (the target mining horizon) in Section 20, Township 14, Range 17 west of the Second Meridian, consisting of:

- A Measured Resource of 7.17 million tonnes (Mt) grading 39.5% potassium chloride (KCl)
- An Indicated Resource of 11.56 Mt grading 39% KCl
- An Inferred Resource of 1.77 Mt grading 39% KCl

A cutoff grade of 15.8% KCl (10% potassium oxide K<sub>2</sub>O) was used to define the top and bottom of the target member in a given well. An overall cutoff grade of 23.8% KCl (15% K<sub>2</sub>O) is used for the target member. Because it is unknown at present whether the Belle Plaine and Patience Lake Members in the Pilot Study area can or will be mined later, no mineral resources have been estimated for the latter two members.

Measured and Indicated Resources surrounding wells M 001, M 002 and M 002A are estimated to be as follows (using a cutoff grade of 15.0% K<sub>2</sub>O or 23.8% potassium chloride KCl):

- Measured Mineral Resource: 231-Mt in-place sylvinitic grading 20.9% KCl, or 13.2% K<sub>2</sub>O
- Indicated Mineral Resource: 539-Mt in-place sylvinitic grading 21.8% KCl, or 13.8% K<sub>2</sub>O

Inferred Resources on the KLSA 008 Lease are estimated to be (using a cutoff grade of 15.0% K<sub>2</sub>O or 23.8% KCl) 10,706-Mt in-place sylvinitic grading 25.8% KCl, or 16.3% K<sub>2</sub>O.

Measured and Indicated Resources surrounding wells M 003 through M 009 were previously upgraded to Proven and Probable Reserves, respectively, for solution mining using caverns with two vertical wells by virtue of the feasibility study performed in 2012 (AMEC 2012) (the "FS"). These reserves are historical in nature and are presented in Section 6.0 of the 2015 Technical Report. The Prefeasibility Study (PFS) or FS for selective solution mining using horizontal wells that is necessary to classify the 2012 mineral reserve estimate for the areas

surrounding wells M 003 through M 008 as current mineral reserves has not yet been performed and WRX is not treating the 2012 estimate as current mineral resources or reserves.

### **Summary of Exploration, Drilling, and Other Studies**

The 2015 Technical Report also summarizes current information obtained from exploration drilling conducted between January 2009 and March 2011. During the 2009–2011 exploration program, 11 cored exploration wells were completed on the KLSA 008 Lease area. One hole (M 010) was geophysically logged and sampled for geomechanical and solubility testing, but was neither assayed nor used in the Mineral Resource Evaporite Formation that is host to the potash deposits in Saskatchewan. In addition, 474.5 line-km of two-dimensional (2D) and 98 square kilometers (by Boyd PetroSearch (2010a and b) of Calgary, Alberta.

Laboratory geotechnical (creep and strength) tests were performed by RESPEC of Rapid City, South Dakota. The laboratory study (Hustoft 2012) comprised four types of mechanical properties tests on core recovered from the Milestone project in Saskatchewan, Canada:

- Brazilian (BRZ) indirect tensile strength tests
- Constant strain rate (CSR) compressive strength tests
- Constant mean stress dilation in compression (CMC)
- Triaxial compression creep tests

Steady-state axial strain rates were estimated for all the creep tests, which were run from 30 to 60 days. The strain-rate data from the creep tests were fitted to the Munson-Dawson multi-mechanism creep model (Munson and Dawson 1979) developed for the United States Department for use of Defense Waste Isolation Pilot Plant (WIPP). The results of the creep tests are used in modeling studies examining the dimensions and closure potential of the caverns.

Laboratory dissolution testing of core samples was performed in 2011 and January 2012 by NG Consulting of Sondershausen, Germany. The results of the testing indicated that (NG Consulting 2012):

- Dissolution rates ranged between those for pure sylvinites and pure halite and correlated well with theoretical data.
- Dissolution rates of the WPX (2012) samples fell in a range similar to that for common sylvinites from other deposits.
- No significant difference was observed between dissolution rates for the Patience Lake, Belle Plaine, and Esterhazy Members.
- Roughly 20% higher dissolution rates were observed for 75 degrees Celsius (°C) compared to 60°C.
- The presence of insoluble material, e.g. anhydrite, reduced the dissolution rate by up to 30%.
- The dissolution testing provided a preliminary relationship between dissolution rate and KCl content of the sylvinites at 60°C and 75°C.

A second set of dissolution tests was performed to investigate a possible relationship between brine KCl grade and the grade of sylvite in the rock.

The potash-bearing beds are regular and flat-lying (apart from regional dip and local anticlinal and synclinal “noses”) except where the mineralization has been modified either by intra-formational erosion “channels,” wherein the sylvinites has been removed and replaced by a mixture of halite and insolubles (“washouts”), or post-depositional replacement of the sylvite mineral by halite (“leach anomalies or salt horses”).

The weighted-average potash, carnallite and insolubles content, and thickness for the mineable zone defined for each of the three potash-bearing members were estimated from chemical assays of cores from the ten wells drilled by WPX in 2009, 2010, and 2011 and assayed by the Saskatchewan Research Corporation (SRC).

Solution mining involves dissolution of a selected bed with removal from the cavern thus formed of portions of all soluble minerals or, alternatively, by removal of only the desired potash component. The former uses dissolution by freshwater; the latter uses dissolution by brine partly saturated in KCl and fully saturated in NaCl. The mined interval may include thin zones that are barren or that are poorly mineralized with potash.

The criteria for economically recoverable potash include minimum thickness of the bed or beds, the potash grade, and acceptable limits on the undesirable impurities. The impurity of concern is the magnesium content; high magnesium reduces the saturation content of the brine and reduces the plant recovery of the potash during processing. The cutoff grade for in-situ magnesium is 6% as carnallite or 0.5% as magnesium. The thickness cutoff is based on the economics of recovering the cost of the cavern development with the revenue from the produced potash and is generally in the range of 1 to 2 meters (m). Other parameters such as bed dip also influence the thickness cutoff. For the Milestone property, the thickness minimum is well exceeded for all holes drilled to date. For secondary or selective mining where a sodium chloride (NaCl) saturated brine is injected and only the potash is dissolved, a K<sub>2</sub>O grade cutoff of 20% may be necessary (KCl cutoff of 31.6%). Also of concern is the KCl content of the brine feed to the plant. For efficient operation of the plant, a high brine concentration is required. For the above reasons, a grade cutoff of 10% K<sub>2</sub>O has been adopted: for the top or bottom of a mineable bed; for the bed to be included in the mineral resource, the bed average interval grade should be greater than 15% K<sub>2</sub>O.

Temperature measurements from the drilling confirm the presence of the relatively high formation temperature. Temperature is an important component of the economics of future solution mining on the property. A relatively high temperature offers advantages in solution mass-balance and savings in capital, energy, and processing costs. The solubility of potash increases with temperature such that the higher the formation temperature, the higher the yield of KCl in the brine solution to be processed for potash recovery. Temperature measurements from all the wells show bottom-hole temperatures during well logging ranging from 58°C to 65.5°C. The in-situ temperature exceeds the logged bottom-hole temperature because the bottom-hole temperature is the temperature of the drilling mud, which is not in equilibrium with the formation. The formation temperature is estimated to be 62.5°C.

### **Summary of the Current Scoping Study for a Pilot-Scale Selective Solution Mining Operation using Horizontal Wells**

As announced in the press release dated July 2, 2015 (WPX 2015), a Pilot Study was completed for WRX's 100%-owned Milestone property in southern Saskatchewan. The Pilot Study outlined how WRX may effectively exploit the Milestone asset through reduced levels of production using innovative selective solution mining techniques while reducing CAPEX and maintaining competitive OPEX. Included in the study is an analysis of a selective mining method relying on horizontally drilled wells selectively mining the Esterhazy potash member. This method of selective mining has been proven in the solution-mining industry; however, the exact mining method has not been proven in Saskatchewan potash mining. The horizontally drilled wells are used to inject an NaCl-saturated brine having a temperature higher than the in-situ formation temperature. KCl is selectively dissolved leaving behind a lattice of NaCl. KCl-rich brine is then brought to surface through a dedicated production well.

The Milestone plant facilities incorporated in the Pilot Study included a cavern well field, a wet processing plant, a dry processing plant, product storage, loadout, and all other necessary site infrastructure. Pilot plant production capacity was assumed to be 146,000 tonnes per year (ktpy) of MOP at a grade of 62% K<sub>2</sub>O (or 98.1% KCl).

### **Capital and Operating Costs**

CAPEX and OPEX were generated with a target accuracy of +25%, typical for an AACE International Class 4 study. Costs are given in Canadian dollars (Cdn\$) and prices are given in United States (US) dollars (\$), with an assumed exchange rate of \$US 1 = Cdn\$ 1.22. The initial CAPEX estimate for the plant was Cdn\$80.6 million, including allowances for the raw water supply pipelines, with an additional deferred CAPEX of Cdn\$12 million in

Year 5. The plant unit OPEX was estimated to be Cdn\$80/t of product at a production rate of 146 ktpy. The economic analysis yielded an after-tax project NPV of Cdn\$56.7 million using a discount rate of 10% and an IRR of 25.2%, based on a potash price of \$US 315/t (Cdn\$384/t at the assumed exchange rate).

### **Further Work**

It is the opinion of the authors that the results of the Pilot Study for selective solution mining using horizontal wells at the Milestone Project are sufficiently positive to justify the development of a pilot-scale mine and plant to test the concept within the KLSA 008 Lease area. The Pilot Study provides sufficient detail to allow the WRX Board to decide whether or not to proceed with detailed engineering, procurement, and construction of the pilot-scale plant.

As announced in the press release dated April 21, 2016 (WPX 2016) Milestone Potash Corp. (“MPC”), a wholly owned subsidiary of Western Potash Corp., awarded an Engineering Services Agreement to AMEC Foster Wheeler for the next stage engineering of the Milestone Pilot Plant Project. In addition, an agreement to provide Pilot Well Subsurface Design was awarded to Agapito Associates Inc. (‘Agapito’).

On November 30, 2016, AMEC Foster Wheeler delivered a final report containing a full scope of engineering and procurement services as well as a AACE Class 3 (+/- 10%) Capital Cost Estimate in advance of Western’s final investment decision to construct the Pilot Plant Project. This report represents ‘Phase I’ of the Pilot Plant Project. The scope for Phase I of the project was to complete the engineering required to reach a point where purchase orders for the equipment and contracts could be executed.

Phase II will be the execution and construction of the project following project sanction.

Deliverables in the report include process flow diagrams, site plans, specifications, data sheets and detailed drawings. For the underground well and cavern design, Agapito delivered design work that included well trajectories, well structure, cavern layout and a production schedule for the twelve-year life of the Pilot Project. AMEC Foster Wheeler provided coordination of all project interfaces.

The purpose of the Milestone Pilot Plant Project is to test and optimize the conceptual horizontal solution mining method, and to investigate how the method can be applied to full-scale potash production. Throughout Phase I engineering and procurement, the pilot plant was designed to have an annual production capacity of 146,000 tonnes of potash obtained through horizontal mining of the Prairie Evaporites. To achieve the desired potash production target of 146,000 tonnes per year, development of three caverns will be required. Cavern life is estimated to be six years at which time three replacement caverns will be required to maintain design production levels.

AMEC Foster Wheeler developed a project execution plan for Phase II (execution and construction) of the Pilot Plant Project. The execution plan describes the overall project strategy, structure, schedule, organization, and scope of delivery for AMEC Foster Wheeler to successfully manage the detailed engineering, procurement, and construction management (EPCM) execution and construction phase of the project. The execution plan is based on the following key assumptions:

- The design will not change significantly from Phase I to the execution phase.
- Final environmental permits will be granted in time to support the start of site work.
- Milestone Potash Corp will establish an owner’s team to oversee the execution of the project under an engineering procurement, construction management organizational structure.
- The EPCM contract will be awarded early 2018.
- The EPCM contract scope will include EPCM services for all facilities necessary for operation of the pilot plant. Construction of all facilities will be managed and coordinated under the EPCM contract, excluding the supply and installation of mining facilities.
- Construction is scheduled to begin in the spring of 2018 and continue until mid 2019.

The CAPEX for the project satisfies an AACE Class 3 estimate (+/- 10%). The CAPEX to design construct and operate the plant as described in the report is \$88.3 million. All cost identified are expressed in Q4 2016 Canadian dollars (\$CAD). The \$88.3 million represents the costs associated with executing this project under an EPCM environment. In the EPCM scenario, the owner carries all risk for cost increases beyond the contingency allocation. The addition of the owners cost risk allowance is recommended practise. The owners risk allowance covers any unusual, unforeseen and externally-driven cost risk associated with circumstances outside the control of the project at the time of the estimate, and outside the contingency allowance. Such risk factors include currency, regulatory changes, material cost increases, abnormal weather, labour market changes, unforeseen delays, scope changes, labour disruptions, supply disruptions, changes to contracting or commercial strategy etc. Normal material costs increases for abnormal material increases are typically within contingency.

The OPEX estimate for the project has been developed by AMEC Foster Wheeler, Agapito and MPC. The plant site OPEX is estimated to be \$82.39 per tonne of product whereas the total OPEX from mine to delivery in China is estimated at \$204.13 per tonne.

MPC is working towards optimizing the project execution plan and continuing to minimize potential risks associated with the Pilot Project. Among potential risk are:

- Lower than expected potash prices. This has the most significant effect on project economics. MPC is exploring several options for product sales and already has an MOU for product offtake with CBC China and is actively pursuing local sales agreements which, if successful, would substantially reduce transportation costs;
- Pilot Project water supply. Western has a previously negotiated an agreement with the City of Regina to use treated effluent for a 2.8 mtpy conventional solution mine. Although MPC maintains this agreement, the Pilot Project requires substantially less water volumes and construction of a pipeline to transport effluent to the site is not cost effective. MPC therefore intends to secure local deep groundwater well for the Pilot Project, which is below any potable or agriculture groundwater sources.
- Mining recovery rates of potash are lower than anticipated and additional sustaining CAPEX is required. Additional wells could be constructed to compensate for lower than anticipated ore grades or to increase potash recovery rates.
- Higher than expected CAPEX or OPEX. MPC continues to explore opportunities for reducing CAPEX and OPEX, including procurement opportunities, use of local vendors, and strict internal cost controls.
- Road restrictions reduce the ability to ship product off-site (such as spring road bans) resulting in the process plant being shut down for a portion of the year. MPC is developing contingency plans to minimize the risk associated with restricted product shipping due to road conditions. This includes on-site storage and conducting an annual plant maintenance shutdown during spring road bans.

In October, 2018 the Company commenced construction of 'Early Works' facilities at the Phase I project site. Early Works include the construction of approximately 8 kilometers of a heavy haul road for access to the site by heavy equipment and trucks hauling potash from the site, as well as site civil works including construction of the wellpad, internal access roads, truck staging area, site runoff pond and construction laydown area. The purpose of constructing the Early Works in 2018 was to allow plant site construction to commence in early 2019 thus expediting the construction schedule.

Early work were completed on December 03, 2018.

## **ITEM 5: DIVIDENDS & DISTRIBUTIONS**

### **5.1 Dividends & Distributions**

To date the Company has not paid any cash dividends or distributions on its common shares nor does it intend to pay any cash dividends or distributions on its shares in the immediate future. Cash dividends or distributions will, in all probability, only be paid in the event the Company successfully brings one of its properties into production. The Company has no present intention of paying cash dividends or distributions on its common shares as it anticipates

that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties.

## **ITEM 6: DESCRIPTION OF CAPITAL STRUCTURE**

### **6.1 General Description of Capital Structure**

The Company's authorized capital consists of an unlimited number of common shares without par value of which 93,437,110 shares were issued as of December 18, 2018. All of the issued common shares are fully paid and non-assessable.

Shareholders are entitled to one vote for each common share on all matters to be voted on by the shareholders. Each common share is equal to every other common share and all common shares participate equally on liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets among shareholders for the purpose of winding up the affairs after the Company has paid out its liabilities. Shareholders are entitled to receive pro rata such dividends as may be declared by the board of directors out of funds legally available therefore and to receive pro rata the remaining property of the Company upon dissolution. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the Business Corporations Act (British Columbia) and the Articles of the Company. The Company has also adopted a Shareholder Rights Plan. See Item 1.1.

### **6.2 Constraints**

There are no known constraints on the ownership of the securities of the Company to ensure that the Company has a required level of Canadian ownership.

### **6.3 Ratings**

There are no known ratings, including provisional ratings, by rating organizations for securities of the Company which are outstanding and such ratings continue in effect.

## **ITEM 7: MARKET FOR SECURITIES**

### **7.1 Trading Price and Volume**

The Company's common shares are now traded on the Toronto Stock Exchange (the "TSX") in Canada under the symbol "WRX". On July 12, 2011, the common shares of the Company's predecessor company, Western Potash Corp., now a wholly owned subsidiary as a result of a Plan of Arrangement completed in March 2017, were first listed and posted for trading on the TSX and were delisted from TSX Venture Exchange (the "TSXV"), the stock exchange that the Company was initially listed on. The following table provides the high and low prices and volume for the Company's shares for the periods indicated as traded on the TSX (stated in terms of Canadian dollars):

(Stated in terms of Canadian dollars)

Month	Open (CAD \$)	High (CAD \$)	Low (CAD \$)	Close (CAD \$)	Volume (Shares)
January 2017	\$ 0.18	\$ 0.36	\$ 0.16	\$ 0.30	27,078,900
February 2017	\$ 0.31	\$ 0.32	\$ 0.19	\$ 0.19	11,167,200
March 2017	\$ 0.20	\$ 0.20	\$ 0.16	\$ 0.16	4,099,200
April 2017	\$ 0.17	\$ 0.92	\$ 0.17	\$ 0.63	1,877,400
5/1 Stock Split					
May 2017	\$ 0.64	\$ 0.67	\$ 0.55	\$ 0.56	552,600
June 2017	\$ 0.56	\$ 0.59	\$ 0.49	\$ 0.51	449,200
July 2017	\$ 0.51	\$ 0.52	\$ 0.45	\$ 0.45	454,300
August 2017	\$ 0.46	\$ 0.46	\$ 0.37	\$ 0.39	530,900
September 2017	\$ 0.38	\$ 0.47	\$ 0.37	\$ 0.42	454,400
October 2017	\$ 0.43	\$ 0.44	\$ 0.41	\$ 0.43	483,600
November 2017	\$ 0.43	\$ 0.58	\$ 0.40	\$ 0.43	966,200
December 2017	\$ 0.43	\$ 0.44	\$ 0.41	\$ 0.42	684,100
January 2018	\$ 0.42	\$ 0.44	\$ 0.41	\$ 0.42	741,200
February 2018	\$ 0.42	\$ 0.44	\$ 0.40	\$ 0.42	455,600
March 2018	\$ 0.42	\$ 0.42	\$ 0.40	\$ 0.40	224,600
April 2018	\$ 0.40	\$ 0.45	\$ 0.37	\$ 0.42	623,900
May 2018	\$ 0.43	\$ 0.43	\$ 0.38	\$ 0.39	354,000
June 2018	\$ 0.39	\$ 0.41	\$ 0.38	\$ 0.40	447,500
July 2018	\$ 0.40	\$ 0.40	\$ 0.36	\$ 0.37	181,600
August 2018	\$ 0.36	\$ 0.37	\$ 0.33	\$ 0.33	208,800
September 2018	\$ 0.34	\$ 0.34	\$ 0.27	\$ 0.28	415,900
October 2018	\$ 0.28	\$ 0.29	\$ 0.26	\$ 0.27	166,200
November 2018	\$ 0.26	\$ 0.30	\$ 0.26	\$ 0.28	295,400
December 2018	\$ 0.28	\$ 0.30	\$ 0.25	\$ 0.26	200,700

## ITEM 8: ESCROWED SECURITIES

### 8.1 Escrowed Securities

There are no common shares of the Company beneficially owned by directors, officers and insiders of the Company that are subject to any escrow conditions.

## ITEM 9: DIRECTORS AND OFFICERS

### 9.1 Name, Occupation and Security Holdings

Following are the full names, province/state and country of residence, respective positions with the Company and the principal occupations within the preceding five years, for all of the directors and officers of the Company:

<b>Name and Ordinary Residence</b> <sup>(1)</sup>	<b>Principal Occupation or Employment during the past five years</b> <sup>(1)</sup> <sup>(2)</sup>	<b>Current Position with Company and Period of Service</b> <sup>(3)</sup>
<b>James Moore</b> British Columbia, Canada	Senior Business Advisor at the multinational law firm Dentons. He also serves as Chancellor of the University of Northern British Columbia. Previously, he served as Canada's Minister of Industry, Minister of Canadian Heritage & Official Languages, and Secretary of State for the Asia Pacific Gateway and Minister for the 2010 Olympics. He was chair of the Cabinet Committee on Economic Prosperity and Vice Chair of the Operations and Social Affairs Cabinet Committees and served as the Senior Regional Minister for the province of British Columbia.	Chairman and Director since April 5, 2017.
<b>Geoffrey Chang</b> <sup>(6)</sup> British Columbia, Canada	Previous posts include Chairman and General Manager of Shanxi Top Energy Company Ltd., Director and General Manager of Shanxi Local Power Co., Ltd., Deputy Chairman of Shanxi Zhangze Power Company Ltd., Deputy Chairman of Shanxi Securities Ltd., and Chairman and General Manager of Shanxi International Power Group Co., Ltd. Mr Chang has also served as a full-time independent director of SASAC, China's State-owned Assets Supervision and Administration Commission, and Director of both China Guangdong Nuclear Power Group and China International Travel Service Group Corporation.	Director since September 16, 2015. Chairman of Executive Committee since September 28, 2015.
<b>Bill Xue</b> <sup>(6)(7)</sup> British Columbia, Canada	President of Beijing Tairui Innovation Capital Management Ltd., since 2012. Previous roles include that of Deputy Chief Engineer, Shanxi Economic Development Investment Company, Executive Deputy General Manager, Shanxi Top Energy Company Ltd., Managing Partner, Shanxi Baijie Law Firm, President and General Manager, Shanxi Financial Leasing Co., Ltd., Vice President of Strategy & Investment, Shanxi International Electricity Group Limited Company and Managing Director and Investment Review Board director of Chinastone Capital Management Limited.	Director since September 16, 2015; President since September 28, 2015; CEO since April 5, 2017.
<b>Xia Qinglong</b> <sup>(4)</sup> <sup>(5)</sup> Beijing, China	CEO of ChinaBlue Chemical Ltd. since June, 2016. Chief geologist of CNOOC China Limited Tianjin Branch from November 2005 to April 2013; chief geologist and deputy general manager of CNOOC China Limited Tianjin Branch and deputy director of CNOOC Bohai Petroleum Administrative bureau from April 2013 to November 2015; executive deputy general manager of CNOOC China and executive deputy director of CNOOC Bohai from November 2015 to May 2016.	Director since July 29, 2016.
<b>Yinping Wang</b> <sup>(4)(5)</sup> Beijing, China	Board Member of Shenyang Zhiying Pharmaceutical at China Pioneer Pharma Holdings Limited since January 1, 2015, where he used to serve as CEO and Chairman of the Board. Mr. Wang also served as Vice President Sinochem Group. Mr. Wang served as a Deputy Manager of Sinochem Corporation. Previously, Mr. Wang served as Vice President at Sinochem Corporation since November 1998.	Director since April 5, 2017.
<b>Jennifer Fang</b> <sup>(4)(5)</sup> Ontario, Canada	Ms. Fang is the Managing Partner of Highnoon Capital & Consulting Inc. Most recently, Jennifer was the national Managing Director, China Business Network & Strategy for PwC Canada.	Director since April 5, 2017.
<b>George Gao</b> <sup>(6)</sup> <sup>(7)</sup> British Columbia, Canada	Chief Representative, Beijing Office of the TSX from 2011 to 2014. President of Beijing Mining Exchange from 2014 through 2016. Senior Vice President and Chief Administrative Officer of the Company between May 2016 and April, 2017.	CFO since October 1, 2018



<b>Matthew Wood</b> Saskatchewan, Canada	Senior Project Leader, Vale Canada Ltd. from September 2009 to July 2016. Project Director of the Company since June 2016.	VP, Technology since October 1, 2018.
<b>Jerry Zhang</b> <sup>(7)</sup> British Columbia, Canada	Consultant to the Company since July 2011.	Corporate Secretary since September 29, 2016.

- (1) The information as to residence and principal occupation during the past five years is not within the knowledge of the Company and has been furnished by the respective directors and officers.
- (2) Unless otherwise stated above or herein, each of the above named nominees has held the principal occupation or employment indicated for at least five years.
- (3) Terms of the Directors of the Company expire annually at each annual general meeting of the Company.
- (4) Member of Audit Committee.
- (5) Member of Compensation Committee.
- (6) Member of Executive Committee.
- (7) Member of Corporate Disclosure Policy Committee.

As at December 18, 2018, 57,090,075 common shares of the Company are beneficially owned, directly or indirectly, by the directors and executive officers as a group, representing approximately 61% of the issued and outstanding voting securities (93,437,110 Shares).

## 9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

As at the date of the AIF and during the 10 years prior to the date of the AIF, none of the directors or executive officers of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or any personal holding company of the foregoing persons:

- (a) is or has been a director or executive officer of any company (including the Company), that while that person was acting in that capacity:
  - (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.,
  - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.
- (b) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer and shareholder.

No director, officer or promoter of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is or has:

- (a) been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### **9.3 Conflicts of Interest**

Certain directors and officers of the Company are and may continue to be involved in the mining and mineral exploration industry through their direct and indirect participation in subsidiaries of the Company, corporations, partnerships or joint ventures which are potential competitors. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of the Company. As required by law, each of the directors of the Company is required to act honestly, in good faith and in the best interests of the Company. Any conflicts which arise shall be disclosed by the directors and officers in accordance with the *Business Corporations Act* (British Columbia) and they will govern themselves in respect thereof to the best of their ability with the obligations imposed on them by law.

The foregoing disclosure on potential conflicts of interests' of the directors or officers of the Company is supplemented by disclosure contained elsewhere in this AIF and in the documents incorporated into this AIF by reference as set out in Item 1.1. Also see Item 4.2 and Item 12.

## **ITEM 10: PROMOTERS**

### **10.1 Promoters**

Within the three most recently completed financial years ended September 30, 2017 and up to the date of this AIF, the Company does not have nor employed any person or company acting or performing as a promoter for the Company other than the current directors of the Company.

## **ITEM 11: LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **11.1 Legal Proceedings and Regulatory Actions**

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.

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.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year or any other time that would likely be considered important to a reasonable investor making an investment decision in the Company. The

Company has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the two most recently completed financial years ended.

## **ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

### **12.1 Interest of Management and Others in Material Transactions**

During the year ended September 30, 2014, the Company advanced a loan of \$500,000 bearing an interest rate of 12% per annum to Amarillo Gold Corp., a related company because of a common director. The principal portion of the loan was repaid during the year ended September 30, 2014 but \$28,465 in accrued interest remained outstanding as at June 30, 2017. As at September 30, 2017, the Company determined that the carrying value of the accrued interest was not recoverable, and accordingly, the Company recognized an impairment loss of \$28,465.

#### **Consulting & Employment Agreements**

Effective January 9, 2016, Milestone Potash Corp., the Company's wholly owned subsidiary entered into an employment agreement with Geoffrey Chang ("Chang"), who receives a monthly payment of \$25,000 plus standard benefits and allowances. The compensation was revised to \$12,500 per month effective October 1, 2017 and it was further revised to \$7,500 per month effective April 1, 2018. The agreement renews for one-year terms.

Effective May 2, 2016, Milestone Potash Corp., the Company's wholly owned subsidiary entered into a consulting agreement with Tairui Mining Inc., a company controlled by Bill Xue ("together Tairui"). Tairui receives a monthly payment of \$20,000 per month plus standard benefits and allowances. The agreement renews for one-year terms.

Effective June 17, 2016, the Company entered into an employment agreement with Matthew Wood ("Wood"), to be the Project Director of the Milestone Project. Mr. Wood receives a monthly salary of \$17,500 per month, plus total bonus of \$60,000 as of September 30, 2017. The compensation was revised to \$15,000 per month effective November 1, 2018. The agreement renews for one-year terms.

Effective April 5, 2017, the Company entered into a consulting agreement with Rock Point Capital Inc., a company controlled by George Gao ("Gao"), to be the Chief Operating Officer. Mr. Gao receives a monthly payment of \$15,000 per month plus standard benefits and allowances. The agreement renews for one-year terms.

Effective September 29, 2016, the Company entered into a consulting agreement with Westcoast International Entp Inc., a company controlled by Jerry Zhang ("Zhang"), to be the Corporate Secretary. Mr. Zhang receives a monthly payment of \$12,000 per month plus standard benefits and allowances. The compensation was revised to \$13,000 per month effective April 1, 2018. The agreement renews for one-year terms.

Except as noted in this AIF and incorporated by reference as set out in Item 1.1, within the three most recently completed financial years ended September 30, 2018 and up to the date of this AIF, none of the following:

- (a) director or executive officer of the Company;
- (b) a person or company that is direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of outstanding voting securities of the Company; and
- (c) an associate or affiliate of any of the persons or companies referred to in the above paragraphs (a) or (b),

has any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company to the best of the Company's knowledge.

## **ITEM 13: TRANSFER AGENT AND REGISTRAR**

### **13.1 Transfer Agent and Registrar**

The Company's transfer agent and registrar is:

Computershare Investor Services Inc.  
3rd Floor, 510 Burrard Street  
Vancouver, BC  
Canada  
V6C 3B9

## **ITEM 14: MATERIAL CONTRACTS**

### **14.1 Material Contracts**

There are no other contracts, other than those herein disclosed in this AIF, incorporated by reference as set out in Item 1.1 or entered into in the ordinary course of the Company's business, that are material to the Company, from October 1, 2017 to September 30, 2018 (the most recently completed fiscal year), or which were entered into from October 1, 2018 to the date of this AIF that are still in effect as of the date of this AIF.

## **ITEM 15: INTERESTS OF EXPERTS**

### **15.1 Names of Experts**

Drs. Douglas F. Hambley, P.E., P.Eng., P.G. and Bo Yu, P.E. of Agapito Associates Inc. and Mr. James Brebner, Eng. of Novopro, all independent Qualified Persons as defined by NI 43-101 were the independent Qualified Persons as defined by NI 43-101 and are the experts who prepared the NI 43-101 technical report as filed by the Company on SEDAR on August 14, 2015, titled "NI 43-101 Technical Report Summarizing the *Scoping Study for a Pilot-Scale Selective Solution Mining Operation on the Milestone Project (Subsurface Mineral Lease KLSA 008), Saskatchewan*", dated August 4, 2015 and effective July 2, 2015. (the "**Technical Report**").

Steven Huntley, Ryan Leland and P.O'Hara of Wood Group (previously Amec Foster Wheeler) were the independent Qualified Persons as defined by NI 43-101 and are the experts who prepared the Milestone Phase I Project preliminary report named *Milestone Pilot Plant Final Report* dated November 30, 2016.

### **15.2 Interests of Experts**

To the best of the Company's knowledge, the experts named in Item 15.1 did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company when the experts prepared the Technical Report.

KPMG LLP, Chartered Professional Accountants are the auditors of the Company and have audited the annual consolidated financial statements for the years ended September 30, 2018 and 2017. KPMG LLP confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

## **ITEM 16: ADDITIONAL INFORMATION**

### **16.1 Additional Information**

Additional information relating to the Company are as follows:

- (a) may be found on SEDAR at [www.sedar.com](http://www.sedar.com);

- (b) additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular pertaining to its most recent Annual General Meeting of security holders that involves the election of directors; and
- (c) is also provided in the Company's financial statements and management discussion and analysis for its most recently completed financial year ended September 30, 2018.

## **16.2 Audit Committee**

### ***Audit Committee Charter***

The Audit Committee of the Board of Directors of the Company operates under a written charter that sets out its responsibilities and composition requirements. The mandate of the Audit Committee includes direct responsibility for overseeing the Company's accounting and financial reporting process and audits of financial statements, and direct responsibility for the appointment, compensation, and oversight of the work of any registered external auditor employed by the Company (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

### ***Composition of the Audit Committee***

The members of the Audit Committee are Jennifer Fang, Xia Qinglong and Wang Yinping, all of whom are "financially literate" and "independent", within the meanings set out in National Instrument 52-110 *Audit Committees* ("NI 52-110").

### ***Relevant Education and Experience***

#### **Jennifer Fang**

Ms. Fang is the Managing Partner of Highnoon Capital & Consulting Inc. Most recently, Jennifer was the national Managing Director, China Business Network & Strategy for PwC Canada. She built and led a team of professionals cross services, cross sectors and cross geographies to deliver integrated advisory, tax and assurance services custom tailored to the cross-border investment and business needs of Chinese and North American companies. Jennifer has more than 20 years' experience in international business development and management for private and public North American corporations, covering markets in Canada, the US and internationally with a particular focus on China/Asia. Jennifer has in-depth experience and knowledge of the M&A process and financial services industry. She has worked in a number of large financial institutions for many years including JP Morgan & Chase in New York in M&A and BMO Financial Group in Toronto. At BMO, Jennifer was instrumental over a 10-year career in building out the bank's business platform in Asia across capital markets, investment banking and wealth/asset management businesses. Jennifer graduated from Peking University with a BA in international economics. She also has a MBA degree from University of British Columbia majoring in finance. Jennifer is a CFA charter holder.

#### **Xia Qinglong**

Mr. Xia graduated from Chengdu Geology Institute (China) with a degree in Petroleum Exploration. He also holds a PhD in Geophysics from the Chinese University of Sciences Academy and subsequently attained the title of Professor Grade Senior Engineer. Mr. Xia is currently CEO of ChinaBlue Chemical Ltd. Previously he served as Chief geologist of CNOOC China Limited Tianjin Branch from November 2005 to April 2013; chief geologist and deputy general manager of CNOOC China Limited Tianjin Branch and deputy director of CNOOC Bohai Petroleum Administrative bureau from April 2013 to August 2013; deputy general manager of CNOOC China Limited Tianjin Branch and deputy director of CNOOC Bohai Petroleum Administrative bureau from August 2013 to November 2015; executive deputy general manager of CNOOC China Limited Tianjin Branch and executive deputy director of CNOOC Bohai Petroleum Administrative bureau from November 2015 to May 2016. Mr. Xia graduated from Chengdu Geology Institute (China) with a degree in Petroleum Exploration. He also holds a PhD in Geophysics from the Chinese University of Sciences Academy and subsequently attained the title of Professor Grade Senior Engineer.

## Wang Yinping

Mr. Wang is currently director on the board of Shenyang Zhiying Pharmaceutical at China Pioneer Pharma Holdings Limited since January 1, 2015, in which he served as a CEO and Chairman in the past. Mr. Wang also served as a Deputy Manager and Vice President of Sinochem Corporation, and Vice President of Sinochem Group successively. Mr. Wang is very experienced in corporate management. He joined Sinochem Import and Export Corporation (now known as China Sinochem Group Corporation (Sinochem Group)) in 1987. Mr. Wang serves as Director of Sinochem Corporation, in charge of Engineering Management Department, China Foreign Economy and Trade Trust & Investment Company, Sinochem International Information Co. and Fund Management Company. Mr. Wang holds bachelor's degree in law in 1985 from the Department of Law of China Renmin University and later received an EMBA from China Europe International Business School in 2004.

### ***Reliance on Certain Exemptions to Sections of NI 52-110***

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the following exemptions of NI 52-110:

- (a) the exemption in section 2.4. *De Minimis Non-audit Services*;
- (b) the exemption in section 3.2 *Initial Public Offerings*;
- (c) the exemption in section 3.4 *Events Outside Control of Member*;
- (d) the exemption in section 3.5 *Death, Disability or Resignation of Audit Committee Member*; or
- (e) an exemption from NI 52-110, in whole or part granted under Section 8, *Exemptions*

### ***Reliance on the Exemption in Subsection 3.3(2) or Section 3.6 of NI 52-110***

At no time since the commencement of the Company's most recently completed financial year, has the Company relied on the exemption in subsection 3.3(2), *Controlled Companies*, or section 3.6, *Temporary Exemption for Limited and Exceptional Circumstances*.

### ***Reliance on Section 3.8 of NI 52-110***

At no time since the commencement of the Company's most recently completed financial year, has the Company relied on the exemption in section 3.8, *Acquisition of Financial Literacy*.

### ***Audit Committee Oversight***

At no time since the commencement of the Company's most recently completed financial year, has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board of Directors.

### ***Pre-Approval Policies and Procedures***

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors and, where applicable, by the Audit Committee, on a case-by-case basis.

### ***External Auditor Service Fees (By Category)***

Set forth below are details of certain service fees paid to the Company's external auditor in each of the last two fiscal years for audit services:

<b>Financial Year End</b>	<b>Audit Fees <sup>(1)</sup></b>	<b>Audit Related Fees <sup>(2)</sup></b>	<b>Tax Fees <sup>(3)</sup></b>	<b>All Other Fees <sup>(4)</sup></b>
September 30, 2017	\$62,130	Nil	\$13,907	Nil
September 30, 2018	\$75,210	Nil	Nil	Nil

- (1) The aggregate audit fees billed by the Company's external auditor.
- (2) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees".
- (3) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
- (4) The aggregate fees billed in each of the last two fiscal years for products and services provided by the Company's external auditor, other than the services reported under clauses (1), (2) and (3) above.

## SCHEDULE "A"

### **to the Annual Information Form of Western Resources Corp. (the "Company")**

#### **CHARTER OF THE AUDIT COMMITTEE**

##### **Audit Committee Mandate**

The Audit Committee (the "**Committee**") will assist the Board of Directors (the "**Board**") of Western Resources Corp. (the "**Company**") in fulfilling its oversight responsibilities. The Committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct as more fully described below. In performing its duties, the Committee will maintain effective working relationships with the Board of directors, management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Company's business, operations and risks.

##### **Committee Organization**

The Committee will be comprised of three (3) or more directors as determined by the Board, all of whom shall satisfy the "independence" requirement of the applicable securities regulatory requirements, as may be required from time to time. Each member will be "financially literate" as defined in the applicable securities regulatory requirements or shall become financially literate within a reasonable period of time after his or her appointment to the Committee. The designation or identification of a member as Committee financial expert shall not impose on such member any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on any other member of the Committee or Board. The Board will appoint annually, at the organizational meeting of the full board on the recommendation of the Board members, the members of the Committee. The Board will appoint one member of the Committee as the chair of the Committee. A Committee member shall be automatically removed without further action of the Board if the member ceases to be a director of the Company or is found by the Board to no longer be an independent director as required by this Charter. Committee members may be otherwise removed or replaced by a vote of the Board. No member serving on the Committee shall receive directly or indirectly, any compensation, advisory or other compensation fee from the Company or an affiliate of the Company other than director fees for service as a director. The Committee is to meet at least four (4) times annually and as many additional times as the Committee deems necessary. Committee members will endeavor to be present at all meetings either in person or by telephone. As necessary or desirable, but in any case at least quarterly, the Committee shall meet with members of management and, if required external auditors, to discuss the financial reporting and any matter that the Committee or management deems necessary. The Chairman in consultation with other members of the Committee, the Company's independent auditors and the appropriate officers of the Company, will be responsible for calling meetings of the Committee, establishing the agenda and supervising the conduct of the meeting. The Committee may also take any action permitted hereunder by unanimous written consent. The Committee may request any officer or employee of the Company or the Company's outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consult to, the Committee. Except as otherwise provided by this Charter or applicable laws or regulations, as amended from time to time:

- a. A majority of the members of the Committee meeting, either present in person or by means of remote communication, or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the Committee, and
- b. All actions of the Committee shall be by affirmative vote of a majority of those members so determined to be present or represented by proxy.

##### **Authority**

Subject to the prior approval of the Board, the Committee is granted the authority to investigate and require such information and explanation from management, as it considers reasonably necessary, or any matter or activity involving financial accounting, financial reporting, financial risk, and the internal controls of the Company. In addition, the Committee will require management to promptly inform the Committee and the external auditor of any material misstatement or error in the financial statements following the discovery of such instance.



The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and to set and pay the compensation for any advisors employed by the Committee.

In recognition of the fact that the independent auditors are ultimately accountable to the Committee, the Committee shall have the authority and responsibility to nominate for shareholder approval, evaluate, and where appropriate, replace the independent auditors and shall approve all audit engagement fees and terms and all non-audit engagements with the independent auditors. The Committee shall consult with management but shall not delegate these responsibilities.

### **Annual Performance Evaluation**

The Committee will conduct and review with the Board annually an evaluation of the Committee's performance with respect to the requirements of the Charter. The evaluation should set forth the goals and objectives of the Committee for the upcoming year. In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review with the Company's management and external auditors and recommend to the Board the Company's quarterly and annual financial statements and management discussion and analysis that is to be provided to shareholders, stakeholders and the appropriate regulatory authorities, including any financial statement contained in a prospectus, information circular, registration statement or other similar document.
3. Review the Company's management annual and interim earnings press release before any public disclosure.
4. Recommend to the Board the external auditors to be nominated for the purposes of preparing or issuing an audit report or performing other audit's review or attest services and the compensation to be paid to the external auditors. The external auditors shall report directly to the Committee.
5. The Committee will annually review the qualifications, expertise and resources and the overall performance of external auditor and, if necessary, recommend to the Board the termination of the external auditor (and its affiliates), in accordance with the applicable securities laws.
6. Review with management the scope and general extent of the external auditors' annual audit. The Committee's review should include an explanation from the external auditors of the factors considered in determining the audit scope, including major risk factors. The external auditors should confirm to the Committee whether or not any limitations have been placed upon the scope or nature of their audit procedures.
7. Be directly responsible for the oversight of the work of the external auditors, including the resolution of disagreements between management of the Company and the external auditors.
8. Review with the Company's management and external auditors the Company's accounting and financial reporting controls. Obtain annually in writing from the external auditors their observations, if any, on significant weaknesses in internal controls as noted in the course of the auditor's work.
9. The Committee is to meet at least once annually, with the independent auditors, separately, without any management representatives present for the purpose of oversight of accounting and financial practices and procedures.
10. Review with the Company's management and external auditors significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the external auditors their judgment about the quality of the accounting principles used in financial reporting.
11. Inquire as to the independence of the external auditors and obtain from the external auditors, at least annually, a formal written statement delineating all relationships between the Company and the external auditors and the compensation paid to the external auditors.
12. At the completion of the annual audit, review with management and the external auditors the following:
  - a. The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders.
  - b. Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.

- c. Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the external auditors during the audit, including all requested records, data and information.
  - d. Inquire of the external auditors whether there have been any material disagreements with management, which, if not satisfactorily resolved, would cause them to issue a not standard report on the Company's financial statements.
13. Meet with management, to discuss any relevant significant recommendations that the external auditors may have, particularly those characterized as "material" or "serious". Typically, such recommendations will be presented by the external auditors in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from external auditors and receive follow-up reports on action taken concerning the aforementioned recommendations.
  14. Have the sole authority to review in advance, and grant any appropriate pre-approvals, of all non-audit services to be provided by the independent auditors and, in connection therewith, to approve all fees and other terms of engagement. The Committee shall also review and approve disclosures required to be included in periodic reports filed with securities regulators with respect to non-audit services performed by external auditors.
  15. Be satisfied that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, and periodically assess the adequacy of those procedures.
  16. Review and approve the Company's hiring of partners, employees and former partners and employees of the present and past auditors.
  17. Review with management and the external auditors the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by the Company's employees that may have a material impact in the financial statements.
  18. The Committee will conduct an appropriate review of all proposed related party transactions to identify potential conflict of interest and disclosure situations. The Committee shall submit the related party transaction to the Board of Directors for approval by a majority of independent directors, excluding any director who is the subject of a related transaction, and
  19. The Committee will prepare a report for the inclusion on the Company's proxy statement for its annual meeting of stockholders describing the Committee's structure, its members and their experience and education. The report will address all issues then required by the rules of the regulatory authorities.

### **Complaint Procedures**

The Committee shall establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (b) the confidentiality, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Committee must periodically review such procedures to ensure they are effective and ensure compliance by the Company with such procedures.

### **"Whistleblower" Procedures**

The Committee shall provide for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and the Committee shall provide for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matter.

### **Other**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibility of management and the independent auditor. Nor is it the duty of the Committee to assure compliance with the laws and regulations.