



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended**

**September 30, 2019**

**WESTERN RESOURCES CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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*The following is Management’s Discussion and Analysis (“MD&A”) of the financial condition and results of operations for Western Resources Corp. (“the Company” or “WRX”) for the year ended September 30, 2019. It has been prepared as of December 19, 2019 and includes financial and other information up to the date of this report. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the year ended September 30, 2019. All financial information in this MD&A is prepared in accordance with International Financial Reporting Standards (“IFRS”), and all dollar amounts are expressed in Canadian dollars. For additional information, readers should also refer to Company information filed on [www.sedar.com](http://www.sedar.com).*

### **Forward Looking Statements**

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

The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect

**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

---

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

### **Description of Business**

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

The Company's wholly owned subsidiaries Western Potash Corp. ("Western Potash") and Milestone Potash Corp. were amalgamated as one company under the name of Western Potash Corp. on March 1, 2019.

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

In the fiscal years ended September 30, 2019 and 2018, to increase the return on cash assets before cash assets was used to advance Phase I of the Milestone Project, the Company invested excess funds in real estate development projects in the Greater Vancouver area.

### **Overview**

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

In terms of the Milestone Phase I Project, management believes that it is generally in a very favorable condition when compared to other competitors. Western has signed the binding off-take agreement with Archer Daniels Midland Co. ("ADM") which commits to sell all of the Phase I products in the North American market. From an overall cost perspective, the Milestone Phase I Project is efficient in energy and water consumption, due to the innovative technology that it applies, thus making the Phase I Project very competitive.

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

---

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

In October 2018, the Company entered into a definitive, binding off-take agreement with ADM which is a senior North American agriculture industry leader. The agreement is for the purchase of 146,000 tonnes of potash produced per year from the Milestone Phase I Project. The off-take agreement is effective for ten years starting from the date when production has reached a daily rate sufficient to achieve the annual commitment. The execution of the off-take agreement included confirmation of the production specification to be sold in the North American market and secured the sales of Phase I project production.

On June 6, 2019, the Company signed a lump-sum agreement with Stuart Olson Prairie Construction ("Stuart Olson") as the general contractor for the construction of the Company's Milestone Phase I Project. The scope includes the construction of all above ground facilities, including concrete, steel and pipework, installation of equipment, electrical and control system work, building work and site finishing. Work has commenced on the concrete foundations, final site preparation and water well works. Construction of the process plant is well underway with the erection of the steel frame for the process plant, arrival and placement of e-houses for the process plant and well pad, placement of injection pumps and arrival of several other major pieces of equipment and specialty piping. The project remains on track to complete Phase I construction in mid-2020 with potash production to commence by the fourth quarter of fiscal of 2020.

Site civil works preparation and all the heavy earthwork for the crystallization pond is complete. The heavy haul road to the site is complete and is open to use for heavy traffic. The installation and testing of approximately 10 km of water pipeline to the Milestone Project water well has been completed. The piling works for the planned site works is also complete.

SNC-Lavalin ("SNCL") completed the final engineering design for the Phase I Project. Purchase orders for all equipment packages have been completed, and SNCL will continue to assist with vendor fabrication and information for construction on the design.

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

**WESTERN RESOURCES CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

---

Saskatchewan Power Corporation (“SaskPower”) has completed the infrastructure for the hot mining power required at site. TransGas Limited (“TransGas”) finished the construction of the gas pipeline and metering station, which is ready for gas supply. SaskTel received the final environmental permits for fiber, acquired all land leases, and fiber telecommunication are in service as of November 2019.

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

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

Management is pleased with the progress made with the start of solution mining operation and continued construction progress during fiscal 2019, and with strong and stable potash prices and the binding off-take agreement. Potash production is expected to commence in the fourth quarter of fiscal 2020 in the new low-cost, environmentally friendly potash plant currently under construction. If successful extraction and processing can be demonstrated at a Phase I plant scale, economies of scale will position Phases II and III very favorably in comparison to other producers. China Blue Chemical (“CBC”) is one of the few potash importers in China and a strategic shareholder of the Company. The Company has a non-exclusive off-take agreement for one-third (1/3) of the Phase II and III production with CBC. The Company has gradually increased its staffing levels in 2019 and will continue to fill additional positions in anticipation of the continued construction and operation of the Phase I project.

Since 2017, the Company has actively invested its excess cash to earn a higher return than bank deposits. The Company has partnered with Formwerks Boutique Investments Ltd. (“Formwerks”), and Alabaster Holdings Corp. (“Alabaster”), both real estate developers in the Greater Vancouver area, to develop real estate projects. The Company has four existing limited partnerships with Formwerks and new limited partnership with Alabaster. The Company also provided loans to the limited partnerships and to unrelated companies to facilitate the acquisition of land lots for the development of real estate projects all of which have been collected in full by September 30, 2019. The Company continues to have approximately \$21.8 million invested in real estate projects through its investments.

### **Selected Annual Information**

The following table presents financial information for the years ended September 30, 2019, September 30, 2018 and September 30, 2017.

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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	For the Year Ended September 30, 2019	For the Year Ended September 30, 2018	For the Year Ended September 30, 2017
Other income (expense)	\$ 1,345,394	\$ 4,304,345	\$ 1,324,804
Operating expenses	2,267,557	2,352,417	2,523,369
Net income (loss) and comprehensive income (loss)	(922,163)	1,951,928	(1,198,565)
Basic and diluted loss per share	(0.01)	0.02	(0.01)
Total assets	197,933,723	151,703,719	148,441,474
Total current liabilities	22,683,578	1,472,008	161,691
Total long-term liabilities	12,149,908	-	-

For the year ended September 30, 2019, the Company had a net loss and comprehensive loss of \$922,163 compared to net income and comprehensive income of \$1,951,928 for the year ended September 30, 2018. The Company's operating expenses decreased by \$84,860 to \$2,267,557 for the year ended September 30, 2019 from \$2,352,417 for the year ended September 30, 2018 primarily due to decreases in rent, consulting fees, and investor relations, which was partially offset by increases in bank charges and interest, filing and regulatory fees, legal fees, share-based payments and salaries and wages.

The decrease in other income during the year ended September 30, 2019 is mainly due to decreases in interest income from loans receivable to associates, loans receivable related to real estate projects, rental income, and profit from the sale of land by FB Eighth Limited Partnership (FB Eighth LP).

For the year ended September 30, 2018, the Company had net income and comprehensive income of \$1,951,928 compared to a net loss and comprehensive loss of \$1,198,565 for the year ended September 30, 2017. The Company's net income increased by \$3,150,493 for the year ended September 30, 2018 primarily due to higher interest earned from loans to both associates and other entities, as well as income from investment in associates of \$1,715,113 representing the Company's share of the net profit from the sale of land in the FB Eighth LP in the year ended September 30, 2018.

## **Review of Annual Financial Results**

### **Net Income (Loss) and Comprehensive Income (Loss)**

During the year ended September 30, 2019 the Company had a net loss and comprehensive loss of \$922,163 (\$0.01 per common share) as compared to a net income and comprehensive income of \$1,951,928 (\$0.02 per common share) for the year ended September 30, 2018.

### **Operating expenses**

Rent decreased by \$381,559 to \$370,276 for the year ended September 30, 2019 from \$751,835 for the year ended September 30, 2018. The Company entered into a new office lease agreement on December

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

---

3, 2018 which has lower rent payments than the previous office lease agreement due to smaller rentable space.

Consulting fees decreased by \$65,896 to \$678,991 for the year ended September 30, 2019 from \$744,887 for the year ended September 30, 2018. The decrease is due to fewer consultants employed compared to comparative prior year period.

Investor relations expenses decreased by \$43,003 to \$39,209 for year ended September 30, 2019 from \$82,212 for the year ended September 30, 2018 due to decrease in promotional expenses and less investor relations related travel.

Legal fees increased by \$271,197 to \$351,949 for the year ended September 30, 2019 from \$80,752 for the year ended September 30, 2018. This increase is mainly due to the legal claim related to Amarillo Gold Corporation.

Share-based payments increased to \$68,977 for the year ended September 30, 2019 from \$nil for the year ended September 30, 2018 related to stock options granted to the Company's management team, directors and employees during the year.

Salaries wages and benefits increased by \$26,656 to \$268,508 for the year ended September 30, 2019 from \$241,852 for the year ended September 30, 2018 primarily due to bonuses paid during the year ended September 30, 2019.

Bank charges and interest increased by \$22,145 to \$25,005 for the year ended September 30, 2019 from \$2,860 for the year ended September 30, 2018 due to a late payment fee of \$21,253 related to a crown lease payment.

Filing and regulatory fees increased by \$21,643 to \$88,069 for year ended September 30, 2019 from \$66,426 for the year ended September 30, 2018 due to increase in transfer agent fees and listing fees related to stock option granted and rights offering.

**Other Income and Loss**

Interest income decreased by \$378,229 to \$1,765,768 for the year ended September 30, 2019 from \$2,143,997 for the year ended September 30, 2018 as the loans receivables were repaid throughout the year resulting in lower interest income earned on these advances and due to overall lower cash and cash equivalent and term deposit balances which amounts were used to fund construction of Phase I of the Milestone Project.

Rental income decreased by \$265,073 to \$119,080 for the year ended September 30, 2019 from \$384,153 for the year ended September 30, 2018 due to termination of the previous Vancouver office lease and the Company no longer having any sub-leases in its new premises.

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Profit from sale of real estate investment decreased by \$1,715,113 for the year ended September 30, 2019 due to a one-time profit from sale of land by FB Eighth LP recognized in the year ended September 30, 2018. No such income was earned in the current year.

Other income (expenses) includes losses related to an email phishing scheme which resulted in the theft of cash totaling \$508,084 for the year ended September 30, 2019. No such loss was incurred in the year ended September 30, 2018.

**Summary of Quarterly Results**

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

	Three months ended September 30, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended December 31, 2018
Other income (expense)	\$ (458,646)	\$ 277,801	\$ 777,186	\$ 749,053
Operating expenses	392,363	414,144	552,577	908,473
Net income (loss) & comprehensive income (loss)	(851,009)	(136,343)	224,609	(159,420)
Income (loss) per share - basic and diluted	(0.01)	(0.00)	0.00	(0.00)

	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018	Three months ended December 31, 2017
Other income	\$ 2,380,928	\$ 856,283	\$ 655,249	\$ 411,734
Operating expenses	519,947	624,572	571,627	636,120
Net income (loss) & comprehensive income (loss)	1,860,981	231,711	83,622	(224,386)
Income (loss) per share - basic and diluted	0.02	0.00	0.00	(0.00)

The Company's net loss and comprehensive loss for the fourth quarter of fiscal 2019 increased to \$851,009 from a net loss of \$136,343 for the third period of fiscal 2019. Operating expenses decreased to \$392,363 during the fourth quarter of fiscal 2019 from \$414,144 for the third quarter of fiscal 2019. The decrease in operating expenses is primarily due to decreases in share-based payments and consulting fees, which was partially offset by an increase in legal fees, accounting fees, and bank charges and interest in the fourth quarter of fiscal 2019.

Other income (expense) decreased by \$736,447 to a loss of \$458,646 in the fourth quarter of 2019 from income of \$277,801 in the third quarter of fiscal 2019. The decrease in net income is primarily due to decrease in interest income and loss from an email phishing scheme in the fourth quarter of fiscal 2019.

The operating expenses in the four quarters of fiscal year 2018 were in the range of \$0.5 million to \$0.6 million. The operating expenses in the four quarters of fiscal year 2019 were in the range of \$0.3 million to \$0.9 million and overall for the year are slightly lower in fiscal year 2019 primarily due to lower rent and consulting fees offset by increases in legal fees and share-based payments in fiscal 2019.



**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Review of Fourth Quarter Financial Results**

***Net Income (Loss) and Comprehensive Income (Loss)***

Net loss and comprehensive loss for the three months ended September 30, 2019 increased by \$2,711,990 to \$851,009 compared to a net income and comprehensive income of \$1,860,981 for the three months ended September 30, 2018.

***Operating Expenses***

Operating expenses decreased by \$127,584 to \$392,363 for the three months ended September 30, 2019 compared to \$519,947 for the three months ended September 30, 2018 primarily due to decreases in rent and consulting fees, which were partially offset by increases in legal fees. Other significant components of operating expenses for the three months ended September 30, 2019 changed marginally in comparison to the same period in 2018.

Rent decreased by \$157,283 to \$30,559 for the three months ended September 30, 2019 from \$187,842 for the three months ended September 30, 2018. The Company entered into a new office lease agreement on December 3, 2018 which has lower rent payments than the previous office lease agreement.

Consulting fees decreased by \$90,790 to \$77,410 for the three months ended September 30, 2019 from \$168,200 for the three months ended September 30, 2018 due to fewer consultants employed compared to comparative period in the prior year.

Legal fees increased by \$118,523 to \$87,220 for the three months ended September 30, 2019 from a credit of \$31,303 for the three months ended September 30, 2018 due to legal fees associated with Amarillo Gold Corporation legal claim the fourth quarter of 2019 and the recovery of certain legal costs in relation to its real estate partnerships in the fourth quarter of 2018.

***Other Income and Loss***

Interest income decreased by \$531,454 to \$52,257 for the three months ended September 30, 2019 from \$583,711 for the three months ended September 30, 2018. The decrease is mainly due to the repayment of loans receivables and redemption of a number of term deposits which resulted in lower interest income earned.

Profit from sale of real estate investment decreased by \$1,715,113 to \$nil for the three months ended September 30, 2019 due to a one-time profit from sale of land by FB Eighth LP in the three months ended September 30, 2018. No such income was earned in the current period.

Rental income decreased by \$94,002 to \$nil for the three months ended September 30, 2019 from \$94,002 for the three months ended September 30, 2018 due to termination of the previous Vancouver office lease and there are no sub-lease tenants in its current premises.

**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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The Company also incurred a loss of \$508,084 for the three months ended September 30, 2019 relating to an email phishing scheme accounts being compromised. No such loss incurred in the comparative three months ended September 30, 2018.

## **Liquidity and Capital Resources**

### ***Cash Resources and Liquidity***

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. At September 30, 2019, although the Company has earned interest income and has received returns of capital and distribution of income from its real estate investments, the Company does not have other sources of revenues and operating cash flows. During the year ended September 30, 2019, the Company commenced construction of Phase I of the Milestone potash project ("Milestone Project") which requires substantial capital expenditures. The Company through its wholly owned subsidiary, Western Potash Corp. ("Western Potash"), has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project with a remaining committed amount of approximately \$53,026,000. As at September 30, 2019, the Company has a working capital deficit of \$13,350,192 including cash and cash equivalents of \$2,217,828. Based on its current cash flow forecast, its existing obligations and commitments and the available credit facility discussed below, the Company will require further funds in the next twelve months in order to complete construction and successfully commission Phase I of the Milestone Project and to fund its real estate investments and general and administrative expenses.

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

On September 12, 2019, Western Potash entered into a credit facility with the Company's majority shareholder for an amount up to \$40,000,000, of which \$10,000,000 was drawn on October 1, 2019 and \$20,000,000 was drawn on December 19, 2019. The interest rate for this credit facility is 4% per annum with accrued interest payable once annually on September 30 of each fiscal year. However, if Western Potash secures a commercial loan from any Canadian bank during the construction period, the weighted average interest rate offered by the Canadian commercial bank will apply as the actual interest rate for this loan. Also subsequent to September 30, 2019, the Company's subsidiaries have received \$6,600,000 in financing from a company controlled by an officer of the Company. The financing is non-interest bearing and matures on December 31, 2019. The Company repaid \$2,000,000 of the amount borrowed on December 13, 2019 and the remaining \$4,600,000 on December 19, 2019.

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

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

---

In the longer term, additional financing may be required to expand the mining operation at the Milestone Project if the cash flows of the Phase I plant are not sufficient to fund such expansion. Furthermore, as the Company has not yet completed construction or commenced commissioning of the Phase I plant, there are no guarantees that the Phase I plant will operate as expected, or that the Company will be able to complete construction of the plant on time and on budget. Material cost overruns, should they occur, may also require additional financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. In the long term, the ability of the Company to continue as a going concern and the recoverability of amounts shown for mineral property, plant and equipment is dependent upon the ability of the Company to obtain necessary financing to complete the development and upon future profitable production from the Milestone Project and the recoverability of investments in real estate projects.

**Financing Activities**

The Company's 80% owned consolidated subsidiary WGP Seaton Development Limited Partnership received a land loan of \$9,500,000 on October 1, 2018 to finance the closing of a land purchase on October 5, 2018.

On April 10, 2019, Company completed a rights offering and issued a total of 93,437,110 common shares of the Company at a subscription price of \$0.12 per share for proceeds of \$11,212,454.

On September 12, 2019, Western Potash entered into a credit facility with its majority shareholder for an amount up to \$40,000,000; on October 1, 2019, the Company drew down \$10,000,000 and \$20,000,000 was drawn on December 19, 2019 on this agreement. The interest rate for this credit facility is 4% per annum with accrued interest payable once annually by September 30 of each fiscal year.

Subsequent to September 30, 2019, the Company's subsidiaries have received \$6,600,000 in financing from a company controlled by an officer of the Company. The financing is non-interest bearing and matures on December 31, 2019. The Company repaid \$2,000,000 of the amount borrowed on December 13, 2019 and the remaining \$4,600,000 on December 19, 2019.

**Investment Activities**

The net book value of mineral property, plant and equipment totaled \$154,053,146 as at September 30, 2019 compared to \$88,440,919 as at September 30, 2018. The increase reflects the Company's development and construction activities at its Milestone Project in Saskatchewan where \$63,021,641 in mineral interest, development and construction costs as well as property and office equipment costs were incurred during the year ended September 30, 2019. In addition, \$2,649,908 in costs related to asset retirement obligations were added to mineral property, plant and equipment during the year ended September 30, 2019.

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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During the year ended September 30, 2018, the Company and its subsidiaries entered into a number of arrangements with Formwerks and Alabaster, both Vancouver based real estate development companies, to develop real estate projects.

During the year ended September 30, 2019:

- On October 3, 2018, FB Eighth LP distributed \$6,443,293 representing the Company's capital contributions of \$4,728,180 and the Company's share of net gain from the sale of the land of \$1,715,113. FB Eighth LP also repaid the loan receivable of \$4,915,000 plus interest back to the Company in full.
- The Company has made total capital contribution of \$598,930 to, and received \$906,391 in equity repatriation from FB Robinson LP during the year ended September 30, 2019. On June 10, 2019, FB Robinson LP secured a land loan of up to \$6,325,000. The Company provided a corporate guarantee limited to 50% of the loan facility. FB Robinson LP repaid the loan advanced by the Company of \$4,655,000 and accrued interest of \$20,852 in full on July 17, 2019.
- The Company has made total capital contribution of \$88,750 to, and received \$100,000 in equity repatriation from FB Third LP during the year ended September 30, 2019. On December 10, 2018, FB Third LP secured a land loan of \$10,000,000 and the Company provided a corporate guarantee for the loan limited to a maximum of \$2,250,000 plus interest and costs. FB Third LP repaid the loans advanced by the Company of \$9,260,000 plus interest in full to the Company on December 11, 2018.
- On December 4, 2018, Western Garden entered into an arrangement with 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. Western Garden has an 80% interest in Alabaster LP. 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" a related party of Invesca) has a 25% interest. Western Garden jointly controls Alabaster GP with 109 and Kensington, and accordingly the Company accounts for its investment in Alabaster GP using the equity method. Western Garden and all limited partners will advance capital to Alabaster LP by way of additional capital contributions to fund the costs of the acquisition of the development lands and the development cost of the project proportionate to their respective ownership interest. The aggregate amount which the limited partners are required to contribute to Alabaster LP in the form of capital contributions will not exceed \$8,075,000 of which Western Garden's share is \$6,460,000. If Alabaster LP needs further funding, the limited partners have the right but not the obligation to loan funds to Alabaster LP. Cash flow and allocation of net income and losses from Alabaster LP will be distributed to Western Garden until its capital contribution has been recovered and a specified rate of return on funds invested has been achieved. Subsequent distributions to Western Garden are limited to 50% of profit as defined in the partnership agreement. Western Garden has made total capital contributions of \$3,696,000 to Alabaster LP as of September 30, 2019.

During the year ended September 30, 2019 Alabaster LP made payments of approximately \$3,500,000 to acquire one property for the real estate project and for deposits associated with the purchase of an

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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additional three properties. Subsequent to September 30, 2019 Alabaster LP closed the purchase of the remaining three properties with the total purchase price of the four acquired properties being \$11,150,000. To finance the closing of the land purchase on completion, Alabaster LP received a land loan of \$6,690,000 on November 15, 2019 from National Bank of Canada for which the Company and its subsidiary Western Garden have provided a limited corporate guarantee of up to \$3,345,000. In relation to the closing of the land purchase, on November 18, 2019, Western Garden made additional capital contribution of \$1,000,000 to Alabaster LP.

- During the year ended September 30, 2019, Western Garden made an additional capital contribution of \$7,341,000 to Seaton LP and Formwerks made a capital contribution of \$2,514,000. To finance the closing of the land purchase on the completion date of October 5, 2018, Seaton LP received a land loan of \$9,500,000 on October 1, 2018 from Industrial and Commercial Bank of China (Canada) ("ICBK"), secured by a first charge on the mortgaged properties in the principal amount of \$12,000,000, first General Security Agreement over all assets of WGP Seaton, and a limited corporate guarantee of up to \$7,600,000 provided by the Company. The interest rate is ICBK's prime rate plus 1.35% per annum payable monthly. The mortgage matures on October 5, 2020 with an option to extend the mortgage for two additional 6-month periods.

**Loans Receivable**

During the year ended September 30, 2019, the Company received loan repayments of \$21,460,000 and interest of \$486,101 from third parties for real estate development. Included in the repayment was an advance made during the year of \$5,000,000.

**Milestone Project**

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

**Land and Minerals**

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

**WESTERN RESOURCES CORP.  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Permits**

Western Potash has previously investigated the full-scale Phase II and III 2.8 million-tonnes per year Milestone Project by completing multiple Resource and Reserve Estimates (2010, 2011, 2012, and 2013), a Scoping Study (2011), a Prefeasibility Study (2011), and a Feasibility Study (2012) on the Milestone Project. The SMOE issued Environmental Assessment Approval (“EAA”) for the Milestone project in March of 2013. The 2013 approval was amended to include the new mining methodology and the scale of the Phase I plant, and approval was received in 2015 from the SMOE. Following the conclusion of the AMEC Phase I Pilot Study, a second EAA amendment application was submitted detailing the final engineering and location of the Phase I plant, and approval was received in 2017.

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

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

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

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

**Engineering Studies**

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

**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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and the resulting KCl rich slurry will be pumped to the process plant. In the process plant the slurry will be de-brined and the KCl cake will be dried, compacted and then sent for storage and loadout.

SNCL has completed the Final Engineering and is currently incorporating the vendor fabrication drawings and assisting with construction information requests.

**Solution Mining and Drilling**

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

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

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

**Construction**

On June 6, 2019, the Company signed a lump-sum agreement with Stuart Olson as the general contractor for the construction of the Company's Milestone Phase I Project. The scope includes the construction of all above ground facilities, including concrete, steel and pipework, installation of equipment, electrical and control system work, building work and site finishing. Work has commenced on the concrete foundations, final site preparation and water well works. Construction of the process plant is well underway with the erection of the steel frame for the process plant, arrival and placement of e-houses for the process plant and well pads, placement of injection pumps and arrival of several other major pieces of equipment and specialty piping.

Site civil works preparation and all the heavy earthwork for the crystallization pond is complete. The heavy haul road to the site is complete and, is open to use for heavy traffic. The installation and testing of approximately 10 km of water pipeline to the Milestone Project water well has been completed. The piling works for the planned site works is also complete. The project remains on track to complete Phase I construction in mid-2020 with potash production to commence by the Q4 of fiscal 2020.

**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Community and Infrastructure**

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

SaskPower has completed the infrastructure for the hot mining power required at site. TransGas finished the construction of the gas pipeline and metering station, which is ready for gas supply. SaskTel received the final environmental permits for fiber, acquired all land leases, and the fiber telecommunication is in service as of November 2019.

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

**Qualified Persons**

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

**Additional Disclosures**

**Related Party Transactions**

(a) Payments to key management personnel

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



**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	For The Year Ended	
	September 30, 2019	September 30, 2018
Consulting Fees		
Consulting fees	\$ 432,750	\$ 658,000
Bonus	135,000	-
Share based payment	5,995	-
	<b>573,745</b>	<b>658,000</b>
Capitalized payments		
Salaries, wages and benefits	140,000	-
Consulting fees	178,500	192,000
Share based payment	42,624	-
	<b>361,124</b>	<b>192,000</b>
	<b>\$ 934,869</b>	<b>\$ 850,000</b>

(b) Other related party transactions

In addition to the loan received from an officer of the Company subsequent to September 30, 2019 described in the Liquidity and Capital Resources section of this MD&A, the Company has the following related party transactions:

- i. Accounts receivable at September 30, 2019 include \$nil (September 30, 2018 - \$17,977) outstanding from investment in associates for expenses paid in advance by the Company.
- ii. Accounts payable at September 30, 2019 include \$214,564 in fees outstanding to directors and officers (September 30, 2018 - \$35,750).

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

**Segmented Information**

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

**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b>For the Year Ended September 30, 2019</b>	<b>Real Estate</b>	<b>Mineral Properties</b>	<b>Total</b>
Interest and other income (expense)	\$ 1,450,335	\$ ( 104,941)	\$ 1,345,394
Operating expenses	195,683	2,071,874	2,267,557
Net income (loss)	1,254,652	(2,176,815)	(922,163)

**As of September 30, 2019**

Total assets	33,950,695	163,983,028	197,933,723
Non current assets	33,851,505	154,748,832	188,600,337
Current assets	99,190	9,234,196	9,333,386
Total liabilities	(9,512,380)	(25,321,106)	(34,833,486)
Non-controlling interest	(2,514,000)	-	(2,514,000)

**For the Year Ended September 30, 2018**

<b>For the Year Ended September 30, 2018</b>	<b>Real Estate</b>	<b>Mineral Properties</b>	<b>Total</b>
Interest and other income	\$3,399,170	\$ 905,175	\$ 4,304,345
Operating expenses	61,017	2,291,400	2,352,417
Net income (loss)	3,338,153	(1,386,225)	1,951,928

**As of September 30, 2018**

Total assets	53,360,165	98,343,554	151,703,719
Non current assets	20,761,979	88,568,692	109,330,671
Current assets	32,598,186	9,774,862	42,373,048
Total liabilities	(205,200)	(1,266,808)	(1,472,008)
Non-controlling interest	-	-	-

**Commitments and Contractual Obligations**

- (a) On December 3, 2018, the Company entered into a lease for office premises in Vancouver which commenced on March 1, 2019 and expires on February 28, 2022. The minimum annual lease payments are approximately \$54,000. On February 22, 2019, the Company's subsidiary Western Potash entered into a lease extension agreement for office premises in Regina, which commenced on June 1, 2019 and expires on May 31, 2020. The minimum annual lease payments are approximately \$46,000.
- (b) The Company's 100% owned subsidiary, Western Potash entered into a water supply agreement with respect to the Milestone Project dated November 15, 2012 with the City of Regina with a term of 44 years and which would have required fixed payment for water usage at a rate of \$0.25/cubic meter (increasing by 1% annually) multiplied by a fixed annual volume as prescribed in the agreement. On December 21, 2017, the agreements were amended to stipulate that the City of Regina will provide Western Potash a preferential right to access a maximum of up to 25,000 cubic meters of water at a rate of \$0.2628/cubic meter (increasing by a multiplier every year) per day of recycled water for an agreed term of 40 years from the start of water flow. During

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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the year ended September 30, 2019, the Company has paid annual standby fee of \$104,725. Half of the commitment fee and standby fee will be credited against the annual water usage fees if water usage commences on or before December 31, 2025. If the Company does not commence usage on or before December 31, 2025, all credits accrued until that date will no longer be creditable against the annual usage fees. Furthermore, the Company will be required to pay a standby fee of \$500,000 annually after December 31, 2025 until the earlier of the date water usage commences and the term of the agreement which is defined in the agreement as 40 years after connection to the Regina water system is completed. Both the City of Regina and the Company have the option to terminate the contract on or after December 3, 2025 if usage has not commenced by that date.

- (c) On October 25, 2018, Western Potash signed an off-take agreement with a North American company in the business of selling agricultural fertilizers to purchase an annual production of 146,000 metric tons of product from Western Potash once production at the Milestone Project reaches the designed capacity, for a duration of 10 years.
- (d) The Company's 100% owned subsidiary, Western Potash, has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project. As of September 30, 2019, total capital expenditure commitments and the expected due dates are summarized as follows:

<b>Quarter Ended</b>	<b>Capital Expenditures Commitment</b>	
December 2019	\$	32,850,000
March 2020		14,889,000
June 2020		5,287,000
<b>Total Capital Expenditure Commitments</b>	<b>\$</b>	<b>53,026,000</b>

**Contingencies**

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

- a) Lockwood Financial Ltd.

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

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

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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b) Amarillo Gold Corporation

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

c) Other Losses

Other income (expenses) includes losses related to an email phishing scheme which resulted in the theft of cash totaling \$508,084 (US\$382,882) by an unknown individual or individuals. The Company is actively pursuing the recovery of these funds by working with the appropriate authorities and financial institutions. Since the outcome of the Company's actions and the amount of the recovery, if any, is currently not determinable, no recovery has been recognized. Should the Company be successful in recovering all or a portion of the amount, the recovery will be recognize in the period the funds are returned to the Company.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Critical Accounting Judgments and Estimates**

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

Significant judgements made by management relate to the Company's ability to continue as a going concern.

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

Economic recoverability and probability of future economic benefits of mineral property, plant and equipment

In assessing whether indicators of impairment exist, management uses judgement in assessing the impact of changes in commodity prices, discount rates and other economic factors related to the project. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

The Company estimates its mineral reserves and mineral resources based on information compiled by qualified persons as defined by National Instrument ("NI") 43-101. Mineral reserves are used in the calculation of depreciation, amortization and impairment charges, and for forecasting the timing of the payment of closure and restoration costs. There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and may, ultimately, result in mineral reserve estimates being revised. Such changes in mineral reserves could impact depreciation and amortization rates, and the timing of asset retirement obligation costs which offsets the amount of the asset retirement obligation provision and could result in impairment losses.

Valuation of investment in associates

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

Valuation of asset retirement obligation

The Company's provision for asset retirement obligation represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of costs, inflation, and assumptions of risks associated with the future cash outflows including the timing of such outflows, and the applicable discount rates used to determine the net present value of the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company. Changes to the asset retirement obligation are recorded with a corresponding change to the carrying amounts of related mineral property, plant and equipment. Adjustments to the carrying amounts of related

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

---

mineral property, plant and equipment can result in a change to future depletion expense. Assumptions with respect to the Company's asset retirement obligation provision are disclosed in Note 11 of the Company's consolidated financial statements for the year ended September 30, 2019.

**New Accounting Standards Adopted**

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

Effective October 1, 2018, the Company adopted IFRS 9 which replaced IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 details new requirements for classifying and measuring financial assets. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. Adoption of IFRS 9 did not have any impact on the designation, classification or measurement of financial assets recognized in the consolidated financial statements.

Refer to Note 3 (i) of the Company's consolidated financial statements for the year ended September 30, 2019 for a more detailed discussion on the impact of the adoption of the new pronouncement.

**Accounting Standards Issued but Not Yet Effective**

**IFRS 16 - Leases ("IFRS 16")**

In January 2016, the IASB issued IFRS 16 – Leases which replaces IAS 17 – Leases and its associated interpretative guidance. New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. Under IFRS 16, as a lessee, the Company is required to recognize all leases in the statement of financial position as a "right-of-use" asset and a lease liability unless the lease term is 12 months or less or the underlying asset has a very low value. The asset is subsequently accounted for in accordance with the cost or revaluation model in IAS 16 Property, Plant and Equipment or as Investment Property under IAS 40 Investment Property. The liability is unwound over the term of the lease giving rise to an interest expense. The Company is in the process of completing its assessment of the impact of adopting IFRS 16. The Company will apply this new standard using the modified retrospective approach with the cumulative effect of initially applying the standard recognized on October 1, 2019 with no restatement of comparative periods. The Company has elected to use the practical expedient in IFRS 16 which allows recognition of the leased asset at an amount equal to the lease liability on the transition date. Based on its evaluation to date, at the date of adoption, the Company anticipates recognizing right-of-use assets and leased liabilities of approximately \$200,000, respectively. The Company is still evaluating whether the leases for land in connection with the mining operation are within the scope of IFRS 16; the current amount disclosed may be impacted and may increase if the leases for land in connection with the mining operation are deemed within the scope of IFRS 16.

**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Outstanding Share Data**

The following details the share capital structure as at the date of this MD&A:

**Authorized**

Unlimited Common shares without par value.

a) Issued and Fully Paid Common Shares

	<b>Number</b>	<b>Amount</b>
Balance, September 30, 2018	93,437,110	\$ 219,985,801
Issuance of common shares from rights offering, net of share issue costs	93,437,110	11,120,665
<b>Balance, September 30, 2019 and December 19, 2019</b>	<b>186,874,220</b>	<b>\$ 231,106,466</b>

On April 10, 2019 the Company completed the Rights Offering announced on March 6, 2019. A total of 93,437,110 common shares of the Company were issued to holders of Rights at a subscription price of \$0.12 per share for total cash proceeds of \$11,212,454. The Company has a total of 186,874,220 common shares issued and outstanding following the completion of the Rights Offering.

b) Stock Options

The Company had stock options outstanding, which upon vesting will enable holders to acquire the following common shares:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry Date</b>
	9,850,000	\$ 0.12	May 28, 2024
	2,000,000	\$ 0.27	June 27, 2024
<b>Balance, September 30, 2019 and December 19, 2019</b>	<b>11,850,000</b>	<b>\$ 0.15</b>	

None of the outstanding stock options are exercisable as of the date of this MD&A.

**WESTERN RESOURCES CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**Risks and Uncertainties**

**Risk Factors Relating to The Company's Business**

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

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

**Going concern risk**

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

**Environmental Risks and Hazards**

All phases of the Company's mineral operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent



**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

**Commodity price risk**

The Company is exposed to commodity price risk. Commodity price risk is defined as the potential impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of potash, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company's future profitability and viability of development depends upon the world market price of potash. Potash prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of potash are produced in the future, a profitable market will exist for them. A decline in the market price of potash may also result in the Company reducing its mineral resources, which could have a material and adverse effect on the Company's value. The Company is not a potash producer as of September 30, 2019. Therefore, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

**Project risks**

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

There are a number of technical and construction risks associated with the innovative use of selective horizontal solution mining. In particular, the risks include drilling the cavern, long-term potash recovery rates, construction CAPEX costs, sustaining and operating costs. The Company is working with a number of construction strategies to plan for strict control of the construction costs, and engaging leading engineering firms to leverage their experience. To maintain potash recovery rates, additional well drilling is planned

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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and drilling costs have been updated in the sustaining CAPEX. However, actual hydrodynamic conditions in the caverns may be underestimated in the cavern production model. Currently, further experimental investigations of the mechanisms of dissolution by NaCl-saturated solvents by AGAPITO are anticipated in an attempt to simulate actual mining conditions.

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

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

**Financial Instruments**

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in Note 15 of the audited consolidated financial statements for the year ended September 30, 2019. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to Note 15 of the audited consolidated financial statements for the year ended September 30, 2019.

**Credit Risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, term deposits, accounts and other receivables, the carrying value of which represents the Company's maximum exposure to credit risk. Cash and cash equivalents and term deposits are held with reputable Canadian financial institutions, from

**WESTERN RESOURCES CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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which management believes the risk of loss to be minimal. At September 30, 2019 the Company's principal credit risk relating to its accounts and other receivables, which is primarily comprised of goods and services taxes recoverable from the Government of Canada for which minimal credit risk exists. Details regarding the accounts receivable are included in Note 5 of the Company's audited consolidated financial statements for the year ended September 30, 2019.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had a cash and cash equivalent balance of \$2,217,828 and a credit facility for an amount up to \$40,000,000, to settle current liabilities of \$22,683,578. All of the Company's accounts payables and liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The mortgage on real estate properties under development is due on October 5, 2020. The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available credit facilities, changes in commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

**Interest rate risk**

The Company has cash and cash equivalents, term deposits and a mortgage on real estate properties under development 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. At September 30, 2019, the Company's mortgage on real estate properties under development have variable rates of interest. A 1% increase or decrease in interest rates would increase or decrease annual interest income by approximately \$95,000 based on the carrying value of these interest-bearing variable rate instrument at September 30, 2019.

**Foreign currency risk**

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

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

The Company's financial instruments were denominated as follows as at September 30, 2019:

**WESTERN RESOURCES CORP.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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	in Canadian dollars	in US dollars
Cash	\$ 1,727,114	\$ 370,546
Term deposits	4,640,791	-
Accounts receivable	2,223,842	-
Accounts payable and accrued liabilities	(19,161,715)	(2,655,261)
Net foreign currencies liabilities	(10,569,968)	(2,284,715)
Foreign currency rate	1.0000	1.3243
Equivalent to Canadian dollars	\$ (10,569,968)	\$ (3,025,648)

Based on the above net exposures as at September 30, 2019, and assuming that all other variables remain constant, a 1% change of the CAD against the USD would change profit or loss by approximately \$30,000.

**Disclosures Controls & Procedures and Internal Controls over Financial Reporting**

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

The Company’s management is responsible for establishing and maintaining adequate internal controls over financial reporting. Management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of ICFR as at September 30, 2019. In conducting this evaluation, the Company used the criteria set forth by the Committee of Sponsoring Organization of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). As identified in the audited consolidated financial statements for the year ended September 30, 2019, the Company recognized a loss related to an email phishing scheme which resulted in the theft of cash totaling \$508,084 (US\$382,882) by an unknown individual or individuals. The Company’s management performed an investigation into the theft and has taken steps to ensure this does not happen again. The Company introduced controls to verbally confirm and document discussions with known vendor contacts prior to updating account details. The Company has assessed these new controls to be effective as at September 30, 2019. Based on its evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s ICFR is effective as at September 30, 2019.

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