CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Expressed in Canadian dollars)

For the Three Months Ended
December 31, 2017 and 2016

NOTICE TO READER
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Western Resources Corp. (the "Company") for the three months ended December 31, 2017, have been prepared by management and are the responsibility of the Company's management and have not been reviewed by an auditor.

WESTERN RESOURCES CORP.
Condensed Consolidated Interim Statements of Financial Position
December 31, 2017 and September 30, 2017
(Expressed in Canadian dollars)

	Dec 31, 2017	Sep 30, 2017
Assets		
Current:		
Cash and cash equivalents	**$ 6,582,505**	$ 1,606,813
Term deposits	**29,372,755**	54,724,469
Accounts receivable (Note 10)	**27,739**	159,083
Loan receivable from associate (Note 7)	**7,986,857**	3,992,084
Loan receivable (Note 8)	**10,979,818**	-
Prepaid expenses	**20,460**	20,440
Other financial assets	**66,103**	67,510
	55,036,237	60,570,399
Deposits	**518,384**	125,773
Investment in associates (Note 7)	**10,622,207**	5,859,391
Property and equipment (Note 5)	**489,770**	498,175
Mineral property and development costs (Note 6)	**81,955,929**	81,387,736
	$ 148,622,527	$ 148,441,474
Liabilities		
Current:		
Accounts payable (Note 10)	**$ 567,127**	$ 161,691
Shareholders' Equity		
Share capital (Note 9)	**219,985,801**	219,985,801
Contributed surplus	**21,161,490**	21,161,490
Treasury shares	**(762,520)**	(762,520)
Deficit	**(92,329,371)**	(92,104,988)
	148,055,400	148,279,783
Commitments and contractual agreements (Notes 7(a) and 12)		
Contingency (Note 15)		
Subsequent events (Note 7(a) & (b) and Note 8 (d))		
	$ 148,622,527	$148,441,474

Approved for issuance by the Directors on February 14, 2018:

"James Moore"

"Wenye Xue"

See accompanying notes to the condensed consolidated interim financial statements

WESTERN RESOURCES CORP.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended December 31, 2017 and 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

		2017		2016
Expenses:				
Accounting fees	**$**	**65,400**	$	32,430
Amortization		**13,072**		14,893
Bank charges and interest		**774**		909
Consulting fees (Note 10)		**212,400**		129,013
Filing and regulatory fees		**14,199**		18,480
Investor relations		**6,913**		3,799
Legal fees		**15,968**		9,598
Office and miscellaneous		**44,319**		40,373
Rent		**187,841**		177,963
Salaries, wages and benefits		**53,411**		21,550
Telephone		**5,294**		7,390
Travel		**16,526**		3,016
Loss before other income (expense)		**(636,117)**		(459,414)
Other Income (Expense)				
Interest income		**254,016**		310,974
Losses on change in fair value and disposal of financial investments		**(1,407)**		(25,483)
Rental income (Note 10)		**97,009**		43,410
Other income		**62,116**		-
		411,734		328,901
Net Loss and Comprehensive Loss	**$**	**(224,383)**	$	(130,513)
Loss per share - basic and diluted	**$**	**(0.002)**	$	(0.001)
Weighted average number of shares outstanding		**92,659,710**		**92,659,710**

See accompanying notes to the condensed consolidated interim financial statements

WESTERN RESOURCES CORP.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of Issued and Outstanding Shares	Share Capital ($)	Contributed Surplus ($)	Treasury Shares ($)	Deficit ($)	Shareholders' Equity ($)
Balance, September 30, 2017	93,437,110	219,985,801	21,161,490	(762,520)	(92,104,988)	148,279,783
Net Loss and Comprehensive Loss	-	-	-	-	(224,383)	(224,383)
Balance, December 31, 2017	93,437,110	219,985,801	21,161,490	(762,520)	(92,329,371)	148,055,400
Balance, September 30, 2016	93,437,110	219,985,801	21,161,490	(762,520)	(90,906,423)	149,478,348
Net Loss and Comprehensive Loss	-	-	-	-	(130,513)	(130,513)
Balance, December 31, 2016	93,437,110	219,985,801	21,161,490	(762,520)	(91,036,936)	149,347,835

See accompanying notes to the condensed consolidated interim financial statements

WESTERN RESOURCES CORP.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended December 31, 2017 and 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

		2017		2016
Operating Activities:				
Loss for the year	**$**	**(224,383)**	$	(130,513)
Adjustment for:				
Amortization		**13,071**		14,893
Loss on change in fair value and disposal of other financial investments		**1,407**		25,483
Interest income		**(254,016)**		(310,974)
Changes in non-cash working capital:				
Accounts receivable		**131,344**		654,911
Deposits		**(392,613)**		-
Prepaid expenses		**(20)**		11,221
Accounts payable and accrued liabilities		**405,436**		143,386
Interest received		**209,426**		310,974
Cash flows used in operating activities		**(110,348)**		719,381
Investing Activities:				
Acquisition of property and equipment		**(4,665)**		111
Mineral property and development costs		**(568,193)**		(1,807,657)
Investment in associate		**(5,262,816)**		-
Proceeds from sale of investment in associate		**500,000**		-
Acquisition of other financial assets		**-**		-
Issue of loan to associate		**(3,970,000)**		-
Proceeds on disposal of term deposits		**25,351,714**		1,576,765
Issue of loan receivable		**(10,960,000)**		-
Cash flows used in investing activities		**5,086,040**		(230,781)
Net decrease in cash and cash equivalents		**4,975,692**		488,600
Cash and cash equivalents, beginning		**1,606,813**		1,759,558
Cash and cash equivalents, ending	**$**	**6,582,505**	$	2,248,158

See accompanying notes to the condensed consolidated interim financial statements

1. Nature of Operations

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

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

The recoverability of amounts shown for mineral property and development costs is dependent upon the ability of the Company to obtain necessary financing to complete the development and upon future profitable production from the Milestone Project. At December 31, 2017, the Company earns interest, has incurred operating losses since inception and expects to incur further losses during the development and construction of the Milestone Project. However, the Company has a working capital surplus of $54,469,110 as at December 31, 2017 including cash and cash equivalents of $ 6,582,505 and term deposits of $29,372,755. Although the Company believes that its current cash position is sufficient to fund mine development costs and general and administrative expenses for the next year, the Company may require additional equity or debt financing beyond one year to fund the completion of the construction of a Phase I plant at the Milestone Project and general and administrative expenses and other obligations until commissioning of the plant. In the longer term, additional financing may be required to expand the mining operation at the Milestone Project if the cash flows of the Phase I Plant are not sufficient to fund such expansion. Furthermore, as the Company has not yet commenced construction or commissioning of the Phase I plant, there are no guarantees that the Phase I plant will operate as expected, if at all, or that the Company will be able to complete construction of the plant on time and on budget. Material cost overruns may also require additional financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. Basis of Presentation

a) Statement of Compliance

These condensed consolidated interim financial statements, as at and for the three months ended December 31, 2017, including comparatives, have been prepared in accordance with International Accounting Standards No.34, Interim Financial Reporting (“IAS 34”). Certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2017.

b) Basis of Presentation and Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries: Western Potash Corp., Western Garden Properties Corp., 0907414 B.C. Ltd. (a company incorporated in the province of British Columbia) and Milestone Potash Corp. (a company incorporated in the province of Saskatchewan). All inter-company transactions and balances have been eliminated in the condensed interim consolidated financial statement presentation. These condensed consolidated interim financial statements have been prepared on the historical cost basis except for investments in common shares and warrants, which

2. Basis of Presentation (continued)

b) Basis of Presentation and Consolidation (continued)

are measured at fair value.

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

c) Significant Accounting Judgments and Estimates

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

Significant areas requiring the use of management estimates are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended September 30, 2017 and relate to the valuation of loans receivable and the economic recoverability and probability of future economic benefits of mineral property and developments costs.

3. Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual consolidated financial statements for the year ended September 30, 2017 and have been applied consistently by all group entities and for all periods. There were no new standards effective October 1, 2017 that had an impact on the Company's condensed consolidated interim financial statements.

4. Accounting Standards Issued But Not Yet Effective

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

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities and also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The mandatory effective date of IFRS 9 for the Company is for the annual period beginning on October 1, 2018 and must be applied retrospectively with some exemptions. The Company does not intend to adopt IFRS 9 until its mandatory adoption date. The Company is currently assessing the impact the standard is expected to have, which ultimately will depend on the nature and amount of its financial instruments on the adoption date.

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

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue,

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

IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. This standard is effective for the Company's annual period beginning on October 1, 2018. The Company does not intend to adopt IFRS 15 until its mandatory adoption date. The Company does not expect that this standard will have any impact on adoption. However, it will affect how the Company accounts for future revenue contracts when the Milestone Project commences operations.

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

In January 2016, the IASB issued IFRS 16 – Leases which replaces IAS 17 – Leases and its associated interpretative guidance. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The standard is effective for the Company for the annual period beginning on October 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements. The Company does not intend to adopt IFRS 16 until its mandatory adoption date. The extent of the impact of adoption of the standard has not yet been determined.

5. Property and Equipment

	Building	Automobiles	Computer Hardware	Computer Software	Furniture & Fixtures	Leasehold Improvements	Total
Cost							
Balance, Sep 30, 2017	$ 371,100	$ 89,587	$ 6,376	$ 64,692	$ 393,919	$ 48,271	$ 973,945
Additions	-	-	4,665	-	-	-	4,665
Balance, Dec 31, 2017	$ 371,100	$ 89,587	$ 11,041	$ 64,692	$ 393,919	$ 48,271	$ 978,610
Accumulated Amortization							
Balance, Sep 30, 2017	$ 21,969	$ 86,514	$ 3,985	$ 64,692	$ 267,233	$ 31,376	$ 475,769
Additions	3,491	230	602	-	6,334	2,414	13,071
Balance, Dec 31, 2017	$ 25,460	$ 86,744	$ 4,587	$ 64,692	$ 273,567	$ 33,790	$ 488,840
Carrying amounts							
Balance, Sep 30, 2017	$ 349,130	$ 3,073	$ 2,391	$ -	$ 126,686	$ 16,895	$ 498,175
Balance, Dec 31, 2017	$ 345,640	$ 2,843	$ 6,454	$ -	$ 120,352	$ 14,481	$ 489,770

6. Mineral properties and mine development costs

The Company owns a 100% interest in the Milestone potash project located in the province of Saskatchewan. The Company's rights to these properties is subject to a renewable 21-year Crown Lease issued by the Saskatchewan Ministry of Energy and Resources (Currently Ministry of Economy) and renewable freehold leases. Those leases provide the Company with full and exclusive rights to mine Crown owned subsurface minerals and privately owned subsurface minerals, including potash. Annual lease payments total approximate $416,000.

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

Balance as at September 30, 2017	$	81,387,736
Additions:		
Consulting fees and wages		182,700
Engineering fees		80,138
Land and mineral lease payments		26,827
Water agreement		201,404
Other		77,124
Balance as at December 31, 2017	$	81,955,929

7. Investment in associates and loan receivable from associate

		Dec 31, 2017		Sept 30, 2017
Investment in FB Burrard Development Limited Partnership (a)	$	**4,540,000**		4,800,000
Investment in FB Eighth Development Limited Partnership (a)		**1,309,390**		1,059,391
Investment in FB Robinson Development Limited Partnership (a)		**4,772,817**		-
Investment in associates		**10,622,207**		5,859,391
Loan receivable from associate (b)		**7,986,857**		3,992,084
Total investment in and loan receivable from associate	**$**	**18,609,064**	$	9,851,475

(a) Investment in associates:

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

The Company's wholly owned subsidiary Western Garden Properties Corp. ("Western Garden"), signed a shareholder agreement with Formwerks to set up FB Burrard Development Ltd. ("FB Burrard"). Western Garden and Formwerks each own a 50% voting interest in FB Burrard. Amongst other things, the shareholder agreement requires unanimous consent by Western Garden and Formwerks for decisions related to all relevant activities of FB Burrard. Accordingly, the Company has concluded that it jointly controls FB Burrard with Formwerks.

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

7. Investment in associates and loan receivable from associate (continued)

(a) Investment in associates (continued):

to FB Burrard LP. FB Burrard LP is in the business of developing a real estate project on 16th Avenue in Vancouver, British Columbia. Pursuant to the limited partnership agreement between FB Burrard, Western Potash and Formwerks, FB Burrard controls decisions related to all relevant activities of FB Burrard LP. Cash flow from FB Burrard LP will be distributed to the Partners initially according to their respective capital contributions until the initial capital contribution has been recovered and a specified rate of return on funds invested has been achieved. Subsequent distributions to Western Potash are limited to 60% of the profit, as defined in the agreement. Western Potash has made capital contributions of $5,040,000 to December 31, 2017 and its investment was offset by the sale of 500,000 Class A units of FB Burrard LP for total cash proceeds of $500,000 to WGEP Investment Management LLP ("WGEP"), a partnership related by common directors and officers of the Company. The units sold have a fair value of $1 per unit and there was no gain or loss on sale. The Company will provide a guarantee for the land and construction costs of FB Burrard LP on behalf of WGEP, and represent WGEP for their portion of units. WGEP will pay the Company management fee equal to 10% of the aggregated profits after project completion. On January 19, 2018, Western Potash made an additional capital contribution of $160,000.

Western Potash and Formwerks are obligated to fund 80% and 20%, respectively, of FB Burrard LP's development and construction costs not financed by bank financing obtained by FB Burrard LP's and any cost over runs. However, the aggregate amount which the limited partners are required to contribute to the Partnership in the form of capital contributions will not exceed $6,500,000. If FB Burrard LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Burrard LP.

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. FB Eighth controls decisions related to all relevant activities of FB Eighth LP. Cash flows from FB Eighth LP will be allocated similar to that of FB Burrard LP as described above. Western Potash and Formwerks are obligated to fund 80% and 20%, respectively, of FB Eighth LP's development and construction costs not financed by bank financing obtained by FB Eighth LP and any cost over runs. The aggregate amount which the limited partners are required to contribute to FB Eighth LP in the form of capital contributions will not exceed $5,500,000. If FB Eighth LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Eighth LP. Western Potash has made capital contributions of $1,309,390 to December 31, 2017. On February 2, 2018, Western Potash made another capital contribution of $570,000.

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 invested a total of $4,772,817 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. Western Gardens and Formwerk jointly control FB Robinson. Cash flows from FB Robinson LP will be allocated similar to that of FB Burrard LP as described above. The aggregate amount which the limited partners are required to contribute to FB Robinson LP in the form of capital contributions will not exceed $8,500,000. If FB Robinson LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Robinson LP.

7. Investment in associates and loan receivable from associate (continued)

(a) Investment in associates (continued):

The Company accounts for its investments in FB Burrard LP, FB Eighth LP and FB Robinson LP using the equity method. At December 31, 2017, the Company owns an 80% interest in three limited partnerships. Summarized financial information of FB Burrard LP, FB Eighth LP and FB Robinson LP are as follows:

	FB Burrard LP	FB Eighth LP	FB Robinson LP
Land and capitalized development cost	$ 10,321,969	$ 1,749,224	$ 6,423,705
Other assets	39,377	100,000	220,000
Current liabilities	(39,262)	(179,986)	(677,683)
Loan payable to Western Potash	(3,992,084)	(1,140,000)	(2,830,000)

All development costs are capitalized by FB Burrard LP, FB Eighth LP, and FB Robinson LP. Accordingly, a summarized income statement is not presented and no income or loss was allocated to the Company.

(b) Loan receivable from associate:

In order to facilitate the acquisition of three land lots by FB Burrard LP, the Company provided a loan to FB Burrard LP in the amount of $3,992,084. 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 was scheduled to be paid by November 30, 2017 but the Company has agreed to extend the maturity date to February 2018. The loan is secured by a first charge security on the acquired land.

The Company provided a similar loan to FB Eighth LP in the amount of $1,140,000 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 is scheduled to be paid by December 14, 2018. The loan is secured by a first charge security on the acquired land. On February 1, 2018, the Company advanced additional loans of $647,500 to FB Eighth for acquisition of land on the same terms.

The Company also provided a loan to FB Robinson LP in the amount of $2,830,000 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 is scheduled to be paid by December 15, 2018. The loan is secured by a first charge security on the acquired land.

8. Loan receivable

	Dec 31, 2017	Sept 30, 2017
Loan receivable - Nexst Clive Development Limited Partnership (a)	8,475,298	-
Loan receivable - NextPacific Development Group Ltd. (b)	2,504,520	-
	$ 10,979,818	$ -

8. Loan receivable (continued)

a) Nexst Clive Development Limited Partnership.

The Company has advanced a non-revolving 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 bears interest at the Canadian Western Bank prime rate plus 2.8% per annum, provided that in no event shall the interest rate applicable during this period be less than 6.0 % per annum for the days falling between the date the loan is drawn and up to June 20, 2018; it will bear interest at the Canadian Western Bank prime rate plus 4.8% per annum, and no less than 8.0% per annum on or after June 20, 2018 to December 20, 2018; it will bear interest of 29.0% per annum falling on or after December 20, 2018 and up to the maturity date. Interest on the loan is payable monthly. The loan principal is scheduled to be repaid in full on the maturity date falling 15 calendar months after the date on which the loan is drawn. The loan is secured by a first charge security on the acquired land, all the current securities, shares, units and other equity interests owned by Nexst, along with NextPacific Development Group Ltd. as well as the individual directors of Nexst as guarantors of the loan. During the three months ended December 31, 2017, the Company accrued interest of $15,298.

b) NextPacific Development Group Ltd.

The Company has advanced a non-revolving first mortgage loan of $2,500,000 to NextPacific Development Group Ltd. (“NextPacific”), an unrelated company, for acquisition of land for real estate development on December 21, 2017. The loan bears interest at the Canadian Western Bank prime rate plus 2.8% per annum, provided that in no event shall the interest rate applicable during this period be less than 6.0 % per annum for the days falling on the date the loan is drawn and up to June 20, 2018; it will bear interest at the Canadian Western Bank prime rate plus 4.8% per annum, and no less than 8.0% per annum on or after June 20, 2018 to December 20, 2018; it will bear interest of 29.0% per annum falling on or after December 20, 2018 and up to the maturity date. Interest on the loan is payable monthly. The loan principal is scheduled to be repaid in full on the maturity date falling 15 calendar months after the date on which the loan is drawn. The loan is secured by a first charge security on the acquired land, all the current securities, shares, units and other equity interests owned by NextPacific, along with NextPacific Ventures Ltd., the nominee Dynastic Holdings Group Ltd., as well as corporate guarantors and the individual directors of NextPacific are guarantors. During the three months ended December 31, 2017, the Company accrued interest of $4,520.

c) 1148114 B.C. Ltd.

On January 30, 2018, the Company advanced a non-revolving 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 bears interest at 8.0% per annum for each day from the date the loan is drawn to April 30, 2018; it bears interest of 18.0% per annum from April 30, 2018 to the maturity date. The loan has a maturity date falling on the 6 calendar months after the date on which the loan is drawn. Interest is payable monthly and the principal must be repaid in full on the maturity date. 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.

9. Share Capital

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

9. Share Capital (continued)

(b) Share-Based Compensation Plan

(i) As at December 31, 2017, the Company had the following stock options outstanding:

Number of Shares	Exercise Price per Share	Expiry Date
930,000	2.25	September 12, 2018
930,000		

During the three months ended December 31, 2017, a total of 145,000 stock options with an exercise price of $2.25 per common share expired unexercised on November 30, 2017.

10. Related Party Transactions

(a) Payments to key management personnel

The Company's key management personnel include the Company's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and members of the Board of Directors. Payments to key management personnel are included in consulting fees on the condensed consolidated interim statement of loss and comprehensive loss and mineral property and development costs for the three months ended December 31, 2017 and 2016 are as follows:

		2017		2016
Consulting fees:				
Compensation	**$**	**130,500**	$	106,500
Capitalized payments:				
Compensation		**64,500**		124,500
	$	**195,000**	$	231,000

(b) Other related party transactions

In addition to the sale of Class A Units of FB Burrard LP disclosed in note 7(a), the Company has the following related party transactions:

(i) The Company charged rent totaling $Nil (2016 - $12,694) to companies related by common directors for shared office space.
(ii) Accounts payable at December 31, 2017 include amounts outstanding to directors and companies in which directors are shareholders in the amount of $20,400 (2016 - $52,250).
(iii) Accounts receivable at December 31, 2017 include amounts outstanding from companies with common directors in the amount of $Nil (2016 - $69,892).

10. Related Party Transactions (continued)

(b) Other related party transactions (continued)

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.

11. Capital Disclosures

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and acquire or dispose of assets. As at December 31, 2017, the Company has not entered into any debt financing.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As of December 31, 2017, some capital has been invested or loaned into real estate projects to increase the return on cash assets before the cash will be used to fund Phase I of the Milestone Project.

12. Commitments and Contractual Agreements

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

(b) The Company entered into a water supply agreement dated November 15, 2012 with the City of Regina with a term of 44 years and which would have required fixed payment for water usage at a rate of $0.25/cubic meter (increasing by 1% annually) multiplied by a fixed annual volume as prescribed in the agreement. Upon signing of the agreement, the Company paid $500,000 which was creditable against future usage charges should usage have begun by January 1, 2017. If usage had not commenced by that date, the Company would have been required to pay an additional $200,000 annually until usage commenced. On October 30, 2017, the Regina City Council approved amendments to the agreement. The amended agreement stipulates that the City of Regina will provide Western Potash a preferential right to access a maximum of up to 25,000 cubic meters of water at a rate of $0.2628/cubic meter (increasing by a multiplier every year) per day of recycled water for an agreed term of 40 years from the start of water flow. As of December 31, 2017, the Company has paid a one-time Commitment fee of $200,000 upon signing of the agreement and is

12. Commitments and Contractual Agreements (continued)

(b) (Continued)

required to pay an additional annual standby fee of $100,000 commencing in 2018 until the earlier of December 31, 2025 or the date water usage commences. Half of the commitment fee and standby fee will be credited against the annual water usage fees if water usage commences on or before December 31, 2025.

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

(c) The Company has entered into four separate financial advisory agreements, two of which are with directors of the Company, to seek out and introduce potential investors to the Company. Pursuant to each of these agreements, the Company is required to pay a success fee upon the completion of an equity financing equal to 4% of the amount raised up to $100,000,000 and 2% of any amounts in excess of $100,000,000. In the event the financing is in the form of debt that is subsequently converted to equity, the Company is required to pay a success fee of 1% of the amount raised up to $100,000,000 and 2% on amounts in excess of $100,000,000. The maximum amount of success fee payable is $4,200,000 under each agreement. The agreements are for a one-year term.

13. Financial Instruments and Risk Factors

a) Fair values

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

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

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

At December 31, 2017 investments in common shares and warrants included in other financial assets were recorded at fair value on the statement of financial position with changes to fair value being reported in profit or loss.

The Company's investments in common shares have been valued using Level 1 inputs. Investment in warrants have been valued using Level 2 inputs. The carrying values of the Company's cash and cash equivalents, term deposits, accounts receivables, deposits, loans receivable from associate, loans receivable and accounts payable and accrued liabilities approximate their fair value due to

13. Financial Instruments and Risk Factors (continued)

a) Fair values (continued)

their short terms to maturity or based on expected future cash flows and discount rates applicable to the instruments.

b) Credit risk

Credit risk is the risk of loss associated with a counter party’s inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, term deposits, accounts and other receivables and loans receivable, the carrying value of which represents the Company’s maximum exposure to credit risk. The Company has no significant concentration of credit risk arising from operations. 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. Loan receivable from FB Burrard LP, FB Eighth LP, FB Robinson LP, Nexst, and NextPacific have a first charge security on the land acquired by these entities. Details regarding the loans receivable are included in Note 7 (b) and Notes 8 (a) & (b).

c) Liquidity risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash and cash equivalents balance of $6,582,505 and term deposits of $29,372,755 to settle current liabilities of $567,127. All of the Company’s significant liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available bank lines, changes in commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

d) Market risk

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

i) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company’s current policy is to invest excess cash in high yield term deposits and bankers’ acceptances with fixed interest rates. The company does not believe it is exposed to material interest rate risk on its cash and term deposits. The Company regularly monitors its cash management policy. The loan receivable from associate and loans receivable have variable rates of interest. The Company does not believe the interest rate risk is material related to these instruments.

ii) Foreign currency risk

The Company's functional currency for the parent company and its subsidiaries is the Canadian

13. Financial Instruments and Risk Factors (continued)

d) Market risk (continued)

dollar and major expenditures are transacted in Canadian dollars. Accordingly, foreign currency risk is currently not significant.

14. 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:

December 31, 2017	Mineral Properties	Real Estate	Total
Interest and other income	$ 335,786	$ 75,948	$411,734
Operating expenses	614,900	21,217	636,117
Net income (loss)	(279,114)	54,731	(224,383)
Investment in associates	-	10,622,207	10,622,207
Loan receivable	-	18,966,675	18,966,675
Total assets	118,641,031	29,981,496	148,622,527
Total liabilities	(567,127)	-	(567,127)
Additions to non-current assets	559,785	5,155,430	5,715,215

For the three months ended December 31, 2016, the Company only had one operating segment, the mineral properties segment.

15. Contingency

By an agreement dated September 1, 2010, the Company retained Lockwood Financial Ltd. ("Lockwood") to provide certain services. That agreement provided for various potential payments from the Company to Lockwood if specific triggering events occurred. A Notice of civil claim has been filed by Lockwood seeking a payment in an amount of $1,439,056 for a success fee and additional service fee owing. It is the position of the Company that none of the triggering events occurred and that no amount is currently payable to Lockwood. The Company, in consultation with legal counsel, assesses that it is not probable at December 31, 2017 that the claim of Lockwood will be successful and that the Company will be required to pay any amounts and no provision for possible loss has been included in these consolidated financial statements.