



**(Formerly: Western Potash Corp. – See note 1)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Expressed in Canadian dollars)**

**For the Years Ended September 30, 2017  
and September 30, 2016**



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Western Resources Corp.

We have audited the accompanying consolidated financial statements of Western Resources Corp., which comprise the consolidated statements of financial position as at September 30, 2017 and September 30, 2016, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Western Resources Corp. as at September 30, 2017 and September 30, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

**KPMG LLP (Signed)**

Chartered Professional Accountants

December 8, 2017

Vancouver, Canada

**WESTERN RESOURCES CORP.**  
**(Formerly Western Potash Corp.)**  
**Consolidated Statements of Financial Position**  
**September 30, 2017 and September 30, 2016**  
**(Expressed in Canadian dollars)**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current:		
Cash and cash equivalents	\$ 1,606,813	\$ 1,759,558
Term deposits	54,724,469	69,006,441
Accounts receivable (Note 11)	159,083	832,962
Loan receivable from associate (Note 7)	3,992,084	-
Prepaid expenses	20,440	38,345
Other financial assets (Note 8)	67,510	156,505
	<b>60,570,399</b>	<b>71,793,811</b>
Deposits	125,773	122,083
Investment in associates (Note 7)	5,859,391	-
Property and equipment (Note 5)	498,175	557,865
Mineral property and development costs (Note 6)	81,387,736	77,303,565
	<b>\$ 148,441,474</b>	<b>\$ 149,777,324</b>
<b>Liabilities</b>		
Current:		
Accounts payable (Note 11)	\$ 161,691	\$ 298,976
<b>Shareholders' Equity</b>		
Share capital (Note 9)	219,985,801	219,985,801
Contributed surplus	21,161,490	21,161,490
Treasury shares (Note 10)	(762,520)	(762,520)
Deficit	(92,104,988)	(90,906,423)
	<b>148,279,783</b>	<b>149,478,348</b>
Commitments and contractual agreements (Notes 7 and 13)		
Contingency (Note 17)		
Subsequent events (Notes 7, 9(c) and 13(b))		
	<b>\$ 148,441,474</b>	<b>\$ 149,777,324</b>

Approved for issuance by the Directors on December 8, 2017:

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*"James Moore"*

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*"Wenye Xue"*

See accompanying notes to the consolidated financial statements

**WESTERN RESOURCES CORP.**  
**(Formerly Western Potash Corp.)**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended September 30, 2017 and September 30, 2016**  
**(Expressed in Canadian Dollars)**

	2017	2016
<b>Expenses:</b>		
Accounting fees	\$ 76,038	\$ 93,160
Amortization	59,690	59,969
Bank charges and interest	4,688	3,135
Consulting fees (Note 11)	960,423	4,513,200
Filing and regulatory fees	101,750	68,647
Investor relations	43,996	62,059
Legal fees	192,723	125,874
Office and miscellaneous	142,079	181,087
Rent, net of recoveries (Note 11)	431,362	600,610
Salaries, wages and benefits	132,517	122,950
Telephone	26,917	32,329
Travel	63,659	112,289
Loss before other income (expense)	<b>(2,235,842)</b>	<b>(5,975,309)</b>
<b>Other Income (Expense)</b>		
Interest income	1,169,748	1,206,723
Losses on change in fair value and disposal of financial investments	<b>(26,785)</b>	<b>(269,640)</b>
Impairment of accounts and loans receivable (note 8)	<b>(105,686)</b>	<b>(348,437)</b>
	<b>1,037,277</b>	<b>588,646</b>
Net Loss and comprehensive Loss	<b>\$ (1,198,565)</b>	<b>\$ (5,386,663)</b>
Loss per share - basic and diluted	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>
Weighted average number of shares outstanding	<b>92,659,710</b>	<b>92,659,710</b>

*See accompanying notes to the consolidated financial statements*

**WESTERN RESOURCES CORP.**  
**(Formerly Western Potash Corp.)**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Years Ended September 30, 2017 and September 30, 2016**  
**(Expressed in Canadian Dollars)**

	Number of Issued and Outstanding Shares	Share Capital (\$)	Contributed Surplus (\$)	Treasury Shares (\$)	Deficit (\$)	Shareholders' Equity (\$)
Balance, September 30, 2015	93,437,110	219,985,801	21,161,490	-	(85,519,760)	155,627,531
Normal course issuer bid (share purchase buy back)	-	-	-	(762,520)	-	(762,520)
Net Loss and Comprehensive Loss	-	-	-	-	(5,386,663)	(5,386,663)
Balance, September 30, 2016	93,437,110	219,985,801	21,161,490	(762,520)	(90,906,423)	149,478,348
Net Loss and Comprehensive Loss	-	-	-	-	(1,198,565)	(1,198,565)
Balance, September 30, 2017	93,437,110	219,985,801	21,161,490	(762,520)	(92,104,988)	148,279,783

*See accompanying notes to the consolidated financial statements*

**WESTERN RESOURCES CORP.**  
**(Formerly Western Potash Corp.)**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended September 30, 2017 and September 30, 2016**  
**(Expressed in Canadian Dollars)**

	2017	2016
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Operating Activities:		
Loss for the year	\$ (1,198,565)	\$ (5,386,663)
Adjustment for:		
Amortization	59,690	59,969
Impairment of accounts and loans receivables	105,686	348,437
Loss on change in fair value and disposal of other financial investments	26,785	269,640
Interest income	(1,169,749)	(1,206,723)
Changes in non-cash working capital:		
Accounts receivable and deposits	597,932	(344,788)
Prepaid expenses	17,905	84,820
Accounts payable and accrued liabilities	(137,285)	(2,206,756)
Interest received	1,576,557	337,093
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Cash flows used in operating activities	(121,044)	(8,044,971)
Investing Activities:		
Acquisition of property and equipment	-	(378,963)
Mineral property and development costs	(4,084,171)	(8,545,504)
Investment in associate	(5,859,391)	-
Acquisition of other financial assets	-	(193,000)
Proceeds on sale of other financial assets	34,366	506,410
Issue of loan to associate	(3,992,084)	-
Proceeds on disposal of term deposits	68,157,500	20,057,500
Acquisition of term deposits	(54,287,921)	(88,115,000)
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Cash flows used in investing activities	(31,701)	(76,668,557)
Financing Activities:		
Purchase of treasury shares	-	(762,520)
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Cash flows used in financing activities	-	(762,520)
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Net decrease in cash and cash equivalents	(152,745)	(85,476,048)
Cash and cash equivalents, beginning	1,759,558	87,235,606
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Cash and cash equivalents, ending	\$ 1,606,813	\$ 1,759,558
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*See accompanying notes to the consolidated financial statements*

**WESTERN RESOURCES CORP.**  
**(Formerly Western Potash Corp.)**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**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.

Under the terms of the Arrangement, all security holders of Western Potash (common shares and stock options) received 0.2 common shares or 0.2 stock options of the Company respectively for each one (1) Western Potash common share or stock option held. The Arrangement was approved by the Western Potash shareholders at its annual general and special shareholder’s meeting on March 9, 2017.

Upon completion of the Arrangement, the Company owns 100% of the outstanding shares of Western Potash which is a development stage potash company focused on building a mine at its 100% owned Milestone property (the “Milestone Project”). On April 5, 2017, the common shares of Western Potash were delisted by the Toronto Stock Exchange and the common shares of the Company commenced trading under the symbol WRX.

As there was no change in ownership in the assets and liabilities of Western Potash resulting from the reorganization, the Company has accounted for the corporate reorganization as a common control transaction and used a continuity of interest basis for accounting for the transaction, where the assets, liabilities and equity of Western Potash have been carried over to the Company based on their respective book values at the time of the reorganization. Accordingly, these financial statements include the financial position, results of operations, changes in equity and cash flows based on the historical accounting records of the Western Potash for periods prior to April 1, 2017 and the actual results of the Company from April 1, 2017 to September 30, 2017. Comparative figures for 2016 have been presented which represent Western Potash’s financial amounts prior to the reorganization. All stock options, common share and per share amounts in these condensed consolidated financial statements have been adjusted to give retroactive effect to the effective 5 to 1 share consolidation resulting from the Arrangement.

The 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 September 30, 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 \$60,408,708 as at September 30, 2017 including cash and cash equivalents of \$1,606,813 and term deposits of \$54,724,469. 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



**WESTERN RESOURCES CORP.**  
**(Formerly Western Potash Corp.)**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**1. Nature of Operations (Continued)**

time and on budget. Material cost overruns may also require additional financing. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

**2. Basis of Presentation**

a) Statement of Compliance

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

b) Basis of Presentation and Functional Currency

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

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

**3. Significant Accounting Policies**

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

a) Principles of Consolidation

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

b) Cash and Cash Equivalents

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

c) Investments in associates

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

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**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**3. Significant Accounting Policies (Continued)**

c) Investments in associates (Continued)

The Company's share of post-acquisition profit or loss is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income (loss) with a corresponding adjustment to the carrying amount of the investment. When the

Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

d) Property and Equipment

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

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

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

e) Exploration and evaluation expenditures

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

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

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

**WESTERN RESOURCES CORP.**  
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**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**3. Significant Accounting Policies (Continued)**

f) Mineral property and development costs

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

g) Income Taxes

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

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

Deferred tax assets and liabilities are recognized based on differences in the financial statement carrying amount for assets and liabilities and the amounts used for tax purposes. Deferred tax assets and liabilities are generally recognized for all taxable temporary differences. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date

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

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

h) Basic and Diluted Loss Per Share

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

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**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**3. Significant Accounting Policies (Continued)**

h) Basic and Diluted Loss Per Share (Continued)

For the year ended September 30, 2017, potentially dilutive common shares relating to options outstanding totaling 1,075,000 at September 30, 2017 (2016 - 2,492,000) were not included in the computation of loss per share because their effect was anti-dilutive.

i) Share-based Compensation

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

j) Financial Instruments

Financial Assets

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

(i) Fair Value Through Profit or Loss

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

(ii) Loans and Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value and subsequently recognized at amortized cost less any provision for impairment, determined on an individual basis. Cash and cash equivalents, term deposits, accounts receivable, loans receivable, loan receivable from associate and deposits are classified as loans and receivables.

(iii) Held-to-Maturity

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are recognized at amortized cost using the effective interest method. The Company does not have any held-to-maturity financial assets.

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**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**3. Significant Accounting Policies (Continued)**

j) Financial Instruments (Continued)

(iv) Available-for-Sale Financial Assets

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

Financial Liabilities

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

(i) Fair Value Through Profit or Loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are recognized in the statement of financial position at fair value with changes in fair value recognized in profit or loss. The Company does not have any liabilities classified as financial liabilities at fair value through profit or loss.

(ii) Other Financial Liabilities

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

k) Impairment

Financial Assets

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

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**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**3. Significant Accounting Policies (Continued)**

k) Impairment (Continued)

Financial Assets (Continued)

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

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

Non-financial assets

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

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

l) Foreign Currency Translation

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

**WESTERN RESOURCES CORP.**  
**(Formerly Western Potash Corp.)**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended September 30, 2017 and September 30, 2016**

**3. Significant Accounting Policies (Continued)**

m) Provision for Decommissioning and Restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning and restoration liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The cost of such obligation is included in property and equipment or mineral property and development cost, as applicable, and are depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning and restoration liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at September 30, 2017 and September 30, 2016, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

n) Significant Accounting Judgments and Estimates

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

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

Valuation of loans receivable

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

Economic recoverability and probability of future economic benefits of mineral property and development costs

In assessing whether indicators of impairment exist, management uses judgement in assessing the impact of changes in commodity prices, discount rates and other economic factors related to the project. Management has determined that mineral property and mine development costs which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic

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**For the Years Ended September 30, 2017 and September 30, 2016**

**3. Significant Accounting Policies (Continued)**

n) Significant Accounting Judgments and Estimates (continued)

Economic recoverability and probability of future economic benefits of mineral property and development costs (continued)

benefits including geological and metallurgical information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans. Changes in these assumptions could result in an impairment loss.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility and discount rate. In addition, the Company estimates forfeiture rates in determining the amount of share-based compensation to be recognized. Changes to these assumptions affect the fair value on the grant date and the amount of share-based payment expense in profit or loss.

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. Judgments 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 operation results of invested associates. Changes in these assumptions may result in an impairment charge being recognized or in changes to the amount of impairment loss recognized.

**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 extent of the impact of adoption of the standard has not yet been determined.



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**4. Accounting Standards Issued But Not Yet Effective (Continued)**

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

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. IFRS 15 contains a single model that applies to contracts with customers and two approaches to 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 property 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.

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**5. Property and Equipment**

	Building	Automobiles	Computer Hardware	Computer Software	Furniture & Fixtures	Leasehold Improvements	Total
<b>Cost</b>							
Balance, Sep 30, 2015	\$ -	\$ 89,587	\$ -	\$ 64,692	\$ 392,543	\$ 48,271	\$ 595,093
Additions	371,211	-	6,376	-	1,376	-	378,963
Balance, Sep 30, 2016 and 2017	\$ 371,211	\$ 89,587	\$ 6,376	\$ 64,692	\$ 393,919	\$ 48,271	\$ 974,056
<b>Accumulated Amortization</b>							
Balance, Sep 30, 2015	\$ -	\$ 83,316	\$ -	\$ 64,692	\$ 196,146	\$ 12,068	\$ 356,222
Additions	7,424	1,881	1,594	-	39,415	9,655	59,969
Balance, Sep 30, 2016	7,424	85,197	1,594	64,692	235,561	21,723	416,191
Additions	14,657	1,317	2,391	-	31,672	9,653	59,690
Balance, Sep 30, 2017	\$ 22,081	\$ 86,514	\$ 3,985	\$ 64,692	\$ 267,233	\$ 31,376	\$ 475,881
<b>Carrying amounts</b>							
Balance, Sep 30, 2016	\$ 363,787	\$ 4,390	\$ 4,782	\$ -	\$ 158,358	\$ 26,548	\$ 557,865
Balance, Sep 30, 2017	\$ 349,130	\$ 3,073	\$ 2,391	\$ -	\$ 126,686	\$ 16,895	\$ 498,175

**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:

	2017	2016
Balance, beginning of year	\$ 77,303,565	\$ 68,758,061
Additions:		
Consulting Fees and Wages	1,444,838	3,443,726
Engineering Fees	1,354,359	3,648,006
Land and Mineral Lease Payments	920,335	587,453
Other	364,639	866,319
Balance, end of year	\$ 81,387,736	\$ 77,303,565

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**7. Investment in associates and loan receivable from associate**

	2017	2016
Investment in FB Burrard Development Limited Partnership (a)	\$ 4,800,000	\$ -
Investment in FB Eighth Development Limited Partnership (a)	1,059,391	-
Investment in associates	5,859,391	-
Loan receivable from associate (b)	3,992,084	-
Total investment in and loan receivable from associate	\$ 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 newly incorporated, 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 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 \$4,800,000 to September 30, 2017. On November 6, 2017, Western Potash made an additional contribution of \$120,000.

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.

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

(a) Investment in associates (continued):

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 \$1,059,391 to September 30, 2017. On November 2, 2017, Western Potash made another capital contribution of \$250,000.

Subsequent to September 30, 2017, Western Garden and Western Potash entered into a third similar arrangement with Formwerks to develop a real estate project in Coquitlam, British Columbia. The Company 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.

The Company accounts for its investments in FB Burrard LP and FB Eighth LP using the equity method. At September 30, 2017, the Company owns an 80% interest in two limited partnerships. Summarized financial information of FB Burrard LP and FB Eighth LP are as follows:

	<b>FB Burrard LP</b>	<b>FB Eighth LP</b>
Land and capitalized development cost	\$ 10,049,270	\$1,414,366
Other assets	41,005	100,000
Current liabilities	(98,192)	(190,127)
Loan payable to Western Potash	(3,992,084)	-

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

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**8. Other financial assets**

	<b>2017</b>	<b>2016</b>
Loan receivable - Red Oak Mining Corp. (a)	\$ -	\$ 33,745
Loan receivable - Amarillo Gold Corp. (b)	-	28,465
Investment in common shares and warrants (c)	<b>67,510</b>	94,295
	<b>\$ 67,510</b>	<b>\$ 156,505</b>

a) Red Oak Mining Corp.

The Company had advanced unsecured loans of \$300,000 bearing interest at 5% per annum to Red Oak Mining Corp. (“Red Oak”), an unrelated company, of which \$300,000 matured on February 2016 and the remainder was repayable on demand. During the year ended September 30, 2016, the Company determined that the carrying value of these loans was not fully recoverable. Accordingly, the Company recognized an impairment loss of \$303,705, which included both principal and accrued interest, at September 30, 2016.

During the year ended September 30, 2017, the Company disposed of the loans to an unrelated third party for proceeds of \$34,366. Prior to disposition, the Company accrued an additional \$6,205 of interest on the original loan balance and wrote off \$5,585 as part of the settlement.

b) Amarillo Gold Corp.

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

c) Investment in common shares and warrants

These investments in shares and warrants are recognized at fair value through profit and loss. Common shares are valued at their quoted market price. Warrants are valued using the Black-Scholes Option Pricing Model.

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**9. Share Capital**

- a) The Company's authorized share capital consist of unlimited common shares without par value.
- b) On March 31, 2017, Western Potash completed a corporate reorganization by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement") with the Company, pursuant to which the Company acquired all of the issued and outstanding common shares of Western Potash and Western Potash became a wholly-owned subsidiary of the Company. Under the terms of the Arrangement, all security holders of Western Potash (common shares and stock options) received 0.2 common shares or 0.2 stock options of the Company respectively for each one (1) Western Potash common share or stock option held. The Arrangement was approved by the Western Potash shareholders at its annual general and special shareholder's meeting on March 9, 2017. All stock options, common share and per share amounts in these condensed consolidated financial statements have been adjusted to give retroactive effect to the effective 5 to 1 share consolidation resulting from the Arrangement.
- c) Share-Based Compensation Plan
- (i) As at September 30, 2017, the Company had the following stock options outstanding:

<b>Number of Shares</b>	<b>Exercise Price per Share</b>	<b>Expiry Date</b>
145,000*	2.25	November 30, 2017
930,000	2.25	September 12, 2018
<b>1,075,000</b>		

\* These share options expired unexercised subsequent to September 30, 2017

- (ii) A summary of the status of the Company's stock options as at September 30, 2017 and 2016 and changes during those years is presented below:

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

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**10. Treasury Shares**

On October 30, 2015, the Company (Formerly Western Potash Corp.) received approval from the Toronto Stock Exchange to make a “normal course issuer bid” (the “Bid”) to purchase up to 2,730,000 of the Company’s issued and outstanding common shares. The bid commenced on November 4, 2015 and terminated on November 3, 2016. As of September 30, 2017, and 2016, the Company had purchased 777,400 common shares at a cost of \$762,520. These shares have not been retired and are classified as treasury shares in shareholders’ equity.

**11. Related Party Transactions**

(a) Payments to key management personnel

The Company’s key management personnel include the Company 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 consolidated statement of loss and comprehensive loss and mineral property and development costs as follows:

	<b>2017</b>	<b>2016</b>
<hr/>		
Consulting fees:		
Compensation	\$ 620,750	\$ 774,000
Bonus	3,500	160,500
Contract re-negotiation and termination fees	84,000	2,380,000
	<hr/> <b>708,250</b>	<hr/> 3,314,500
Capitalized payments:		
Compensation	346,250	741,000
Bonus	10,500	549,500
	<hr/> <b>356,750</b>	<hr/> 1,290,500
	<hr/> <b>\$ 1,065,000</b>	<hr/> <b>\$ 4,605,000</b>
	<hr/> <hr/>	<hr/> <hr/>

(b) Other related party transactions

The Company charged rent totaling \$50,775 (2016 - \$60,433) to Companies related by common directors for shared office space.

Accounts payable at September 30, 2017 include amounts outstanding to directors and companies in which directors are shareholders in the amount of \$20,000 (2016 - \$57,000).

Accounts receivable at September 30, 2017 include amounts outstanding from companies with common directors in the amount of \$69,892 (2016 - \$70,006).

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.

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**12. Capital Disclosures**

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and acquire or dispose of assets. As at September 30, 2017, the Company had 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. There have been some changes in the Company's approach to capital management during the year ended September 30, 2017. Some capital was invested or loaned into real estate projects to increase the return on cash assets before the cash will be used to fund Phase I of the Milestone Project.

**13. Commitments and Contractual Agreements**

- (a) The Company has entered into a lease for office premises which expires 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. Also, the Company is required to pay a one-time Commitment fee of \$200,000 upon signing of the agreement and pay an 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.



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**13. Commitments and Contractual Agreements (continued)**

(b) (continued)

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% on 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.

**14. Financial Instruments and Risk Factors**

a) Fair values

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

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

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

At September 30, 2017 and 2016, investments in common shares and warrants 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 and accounts payable and accrued liabilities approximate their fair value due to their short terms to maturity or based on expected future cash flows and discount rates applicable to the instruments.

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**14. Financial Instruments and Risk Factors (Continued)**

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 has a first charge security on the land acquired by FB Burrard LP. Details regarding the note receivable are included in note 7(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 September 30, 2017, the Company had a cash and cash equivalents balance of \$1,606,813 and term deposits of \$54,724,469 to settle current liabilities of \$161,691. 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. The Company regularly monitors its cash management policy. The loan receivable from associate has a variable rate 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 dollar and major expenditures are transacted in Canadian dollars. Accordingly, foreign currency risk is currently not significant.

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**15. 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:

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

For the year ended September 30, 2016, the Company only had one operating segment, the mineral properties segment.

**16. Income Taxes**

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

	<b>2017</b>	<b>2016</b>
Statutory tax rate	<b>26.0%</b>	26.0 %
Loss for the year	<b>\$ (1,198,565)</b>	\$ (5,386,663)
Income tax recovery at statutory rates	<b>(311,627)</b>	(1,400,532)
Non-deductible items and other	<b>5,145</b>	92,796
Temporary differences not recognized	<b>306,482</b>	1,307,736
	<b>\$ -</b>	\$ -

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

	<b>2017</b>	<b>2016</b>
Non-capital losses carried forward	<b>\$ 54,306,718</b>	\$ 51,726,778
Capital losses carried forward	<b>5,252,290</b>	5,307,853
Cumulative exploration and development expenditures	<b>8,546,358</b>	8,569,554
Others	<b>2,797,031</b>	3,508,201
	<b>\$ 70,902,397</b>	\$ 69,112,386

The Company's non-capital and capital losses carried forward for Canadian income tax purposes expire in various years through to 2037. Non-capital losses may be applied against future taxable income and capital losses are deductible against future capital gains, if any. The Company also has approximately \$89,934,100 of exploration and development costs which are available for deduction against future income for tax purposes. The exploration and development deductions do not expire.

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**For the Years Ended September 30, 2017 and September 30, 2016**

**17. 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 September 30, 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.