Western resources corp.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Years Ended
September 30, 2019 and 2018

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Western Resources Corp.

Opinion

We have audited the consolidated financial statements of Western Resources Corp. ("the Company"), which comprise:

- the consolidated statements of financial position as at September 30, 2019 and September 30, 2018;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Financial Statements"* section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that at September 30, 2019 the Company does not currently have a source of operating revenues, has a working capital deficit, and requires further funding in the next twelve months for construction and commissioning of its mineral property project.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett, CPA, CA

Vancouver, Canada

December 19, 2019

WESTERN RESOURCES CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note(s)	September 30, 2019	September 30, 2018
Assets			
Current:			
Cash and cash equivalents		$ 2,217,828	$ 9,154,280
Term deposits, including restricted cash	6	4,640,791	275,021
Accounts receivable	5, 13(b)	2,223,842	327,694
Loans receivable from associate	8	-	18,939,401
Loans receivable	10	-	13,594,304
Prepaid expenses		210,280	13,974
Other financial assets		40,645	68,374
		9,333,386	42,373,048
Mineral property, plant and equipment	7	154,053,146	88,440,919
Investment in associates	8	12,018,625	15,246,979
Real estate properties under development	9	21,832,880	2,515,000
Loans receivable	10	-	3,000,000
Other assets		695,686	127,773
		$ 197,933,723	$ 151,703,719
Liabilities			
Current:			
Accounts payable and accrued liabilities	13	$ 22,678,078	$ 1,234,339
Deposits		5,500	237,669
		22,683,578	1,472,008
Asset retirement obligation	11	2,649,908	-
Mortgage on real estate properties under development	9(b)	9,500,000	-
		34,833,486	1,472,008
Shareholders' Equity			
Share capital	12(a)	231,106,466	219,985,801
Contributed surplus		21,317,514	21,161,490
Treasury shares	12(c)	(762,520)	(762,520)
Deficit		(91,075,223)	(90,153,060)
Equity attributable to owners of the Company		160,586,237	150,231,711
Non-controlling interest	9	2,514,000	-
Total shareholders' equity		163,100,237	150,231,711
		$ 197,933,723	$ 151,703,719

Nature of operations and going concern (Note 1)
Commitments and contractual agreements (Notes 8(a) and 14)
Contingencies (Note 17)
Subsequent events (Notes 1, 6, and 8 (a)(v))

Approved for issuance by the Directors on December 19, 2019:

"James Moore" *"Wenye Xue"*

See accompanying notes to the consolidated financial statements.

WESTERN RESOURCES CORP.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the Years Ended September 30, 2019 and 2018
(Expressed in Canadian dollars)

	Note	September 30, 2019	September 30, 2018
Expenses:			
Accounting fees		**$ 114,468**	$ 102,460
Depreciation		**57,170**	52,290
Bank charges and interest		**25,005**	2,860
Consulting fees	**13**	**678,991**	744,887
Filing and regulatory fees		**88,069**	66,426
Investor relations		**39,209**	82,212
Legal fees		**351,949**	80,752
Office and miscellaneous		**133,990**	119,880
Rent		**370,276**	751,835
Salaries, wages and benefits		**268,508**	241,852
Share-based payments	**12(b)**	**68,977**	-
Telephone		**13,061**	20,093
Travel		**57,884**	86,870
Loss before other income (expense)		**2,267,557**	2,352,417
Other income (expense):			
Interest income		**1,765,768**	2,143,997
Rental income		**119,080**	384,153
Income from investment in associates	**8(a)**	**-**	1,715,113
Other income (expenses)	**17(c)**	**(539,454)**	61,082
		1,345,394	4,304,345
Net income (loss) and comprehensive income (loss)		**$ (922,163)**	$ 1,951,928
Net income (loss) and comprehensive income (loss) attributable to:			
Owners of the Company		**$ (922,163)**	$ 1,951,928
Non-controlling interest		**-**	-
Net income (loss) per share:			
Basic and diluted		**$(0.01)**	$0.02
Weighted average number of shares outstanding:			
Basic and diluted		**137,202,332**	92,659,710

See accompanying notes to the consolidated financial statements.

WESTERN RESOURCES CORP.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

Attributable to Owners of the Company

	Note	Number of Issued and Outstanding Shares	Share Capital ($)	Contributed Surplus ($)	Treasury Shares ($)	Deficit ($)	Non-controlling Interest ($)	Total Equity ($)
Balance, September 30, 2017		93,437,110	219,985,801	21,161,490	(762,520)	(92,104,988)	-	148,279,783
Net income and comprehensive income		-	-	-	-	1,951,928	-	1,951,928
Balance, September 30, 2018		93,437,110	219,985,801	21,161,490	(762,520)	(90,153,060)	-	150,231,711
Net loss and comprehensive loss		-	-	-	-	(922,163)	-	(922,163)
Issuance of 93,437,110 common shares at $0.12 per share	12(a)	93,437,110	11,212,454	-	-	-	-	11,212,454
Share issue costs	12(a)	-	(91,789)	-	-	-	-	(91,789)
Share-based payments	12(b)	-	-	156,024	-	-	-	156,024
Initial contributions	9(a)	-	-	-	-	-	2,514,000	2,514,000
Balance, September 30, 2019		**186,874,220**	**231,106,466**	**21,317,514**	**(762,520)**	**(91,075,223)**	**2,514,000**	**163,100,237**

See accompanying notes to the consolidated financial statements.

WESTERN RESOURCES CORP.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	2019	2018
Operating Activities			
Net income (loss) for the year		**$ (922,163)**	$ 1,951,928
Adjustment for:			
Depreciation		**57,170**	52,290
Share-based payments	**12(b)**	**68,977**	-
Interest income		**(1,765,768)**	(2,143,997)
Income from associate	**8 (a)(ii)**	**-**	(1,715,113)
Other		**32,841**	2,706
Change in non-cash items:			
Accounts receivable		**(1,910,359)**	(172,181)
Prepaid expenses		**(196,306)**	6,466
Other assets		**(567,913)**	(2,000)
Accounts payable and accrued liabilities		**317,501**	74,952
Interest received		**2,143,555**	1,900,292
Distribution of income from associate	**8(a)(ii)**	**1,715,768**	-
Cash flow used in operating activities		**(1,027,352)**	(44,657)
Investing Activities			
Deposits		**(232,169)**	237,669
Acquisition of property, plant and equipment	**7**	**(41,808,357)**	(5,609,603)
Proceeds from disposal of property, plant and equipment		**11,250**	-
Proceeds on disposal of term deposits		**-**	60,949,448
Acquisition of term deposits		**(4,337,500)**	(6,500,000)
Real estate properties under development	**9**	**(19,317,880)**	(2,515,000)
Investments in associates	**8(a)**	**(4,383,680)**	(11,420,763)
Return of equity in investment in associate	**8(a)**	**5,734,571**	3,248,289
Proceeds from sale of investments in associate		**-**	500,000
Loans to associates		**-**	(18,830,000)
Repayment of loans from associates	**8(b)**	**18,830,000**	3,992,084
Issuance of loans receivable	**10**	**(5,000,000)**	(22,865,000)
Repayment of loans receivable	**10**	**21,460,000**	6,405,000
Cash flow provided by (used in) investing activities		**(29,043,765)**	7,592,124
Financing Activities			
Issuance of common shares	**12(a)**	**11,212,454**	-
Share issue costs	**12(a)**	**(91,789)**	-
Mortgage on real estate properties under development	**9 (b)**	**9,500,000**	-
Contribution from non-controlling interest	**9 (c)**	**2,514,000**	-
Cash flow provided by financing activities		**23,134,665**	-
Net increase (decrease) in cash and cash equivalents		**(6,936,452)**	7,547,467
Cash and cash equivalents, beginning		**9,154,280**	1,606,813
Cash and cash equivalents, ending		**$ 2,217,828**	$ 9,154,280

See accompanying notes to the consolidated financial statements.

1. Nature of Operations and Going Concern

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

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. At September 30, 2019, although the Company has earned interest income and has received returns of capital and distribution of income from its real estate investments, the Company does not have other sources of revenues and operating cash flows. During the year ended September 30, 2019, the Company commenced construction of Phase I of the Milestone potash project ("Milestone Project") which requires substantial capital expenditures. The Company through its wholly owned subsidiary, Western Potash Corp. ("Western Potash"), has entered into various capital expenditure commitments for the procurement and construction of Phase I of the Milestone Project with a remaining committed amount of approximately $53,026,000 (Note 14 (d)). As at September 30, 2019, the Company has a working capital deficit of $13,350,192 including cash and cash equivalents of $2,217,828. Based on its current cash flow forecast, its existing obligations and commitments and the available credit facility discussed below, the Company will require further funds in the next twelve months in order to complete construction and successfully commission Phase I of the Milestone Project and to fund its real estate investments and general and administrative expenses.

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

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

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

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.

1. Nature of Operations and Going Concern (continued)

Furthermore, as the Company has not yet completed construction or commenced commissioning of the Phase I plant, there are no guarantees that the Phase I plant will operate as expected, or that the Company will be able to complete construction of the plant on time and on budget. Material cost overruns, should they occur, may also require additional financing.

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. In the long term, the ability of the Company to continue as a going concern and the recoverability of amounts shown for mineral property, plant and equipment is dependent upon the ability of the Company to obtain necessary financing to complete the development and upon future profitable production from the Milestone Project and the recoverability of investments in real estate projects.

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.

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 judgements made by management relate to the Company’s ability to continue as a going concern (Note 1). The most significant accounts that require estimates and judgments as the basis for determining the stated amounts are as follows:

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

In assessing whether indicators of impairment exist, management uses judgement in assessing the impact of changes in commodity prices, discount rates and other economic factors related to the project. Management uses several criteria in its assessments of economic recoverability and

2. Basis of Presentation (continued)

c) Significant Accounting Judgments and Estimates (continued)

<u>Economic recoverability and probability of future economic benefits of mineral property, plant and equipment (continued)</u>

probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

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

<u>Valuation of investment in associates</u>

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

<u>Determination of asset retirement obligation</u>

The Company's provision for asset retirement obligation represents management's best estimate of the present value of the future cash outflows required to settle the liability which reflects estimates of costs, inflation, and assumptions of risks associated with the future cash outflows including the timing of such outflows, and the applicable discount rates used to determine the net present value of the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company. Changes to the asset retirement obligation are recorded with a corresponding change to the carrying amounts of related mineral property, plant and equipment. Adjustments to the carrying amounts of related mineral property, plant and equipment can result in a change to future depletion expense. Assumptions with respect to the Company's asset retirement obligation provision are disclosed in Note 11.

3. Significant Accounting Policies

Except as disclosed in Note 3(i), the accounting policies set out below have been applied consistently by all group entities and for all periods presented.

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 its 80% owned subsidiary WGP Seaton Development Limited Partnership (a partnership incorporated in the province of British Columbia). 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. 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) Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation 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 expenditures, in excess of estimated recoveries, are

3. Significant Accounting Policies (Continued)

d) Exploration and evaluation expenditures (continued)

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 properties, plant and equipment”.

e) Mineral property, plant and equipment

Building and Equipment

Building 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.

Mineral interests and mine development costs

Mineral interests and 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, cost of asset retirement obligation, 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 properties 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.

3. Significant Accounting Policies (continued)

f) 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 or 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.

g) Basic and Diluted Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted income 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 income 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.

h) Share-based Payments

The Company has an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued determined on the grant date 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 stock options is determined using a Black-Scholes option 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

3. Significant Accounting Policies (continued)

h) Share-based Payments (continued)

equity instruments that eventually vest.

i) Financial Instruments:

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

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is substantially unchanged. Additional disclosures have been provided in these consolidated financial statements where required by IFRS 9.

The following table shows the original classifications under IAS 39 and the new classifications under IFRS 9:

	Original classification IAS 39	**New classification IFRS 9**
Financial Assets:		
Cash and cash equivalents	Loans and receivables - amortized cost	Amortized cost
Term deposits	Loans and receivables - amortized cost	Amortized cost
Amounts receivable	Loans and receivables - amortized cost	Amortized cost
Loans receivable from associates	Loans and receivables - amortized cost	Amortized cost
Loans receivable	Loans and receivables - amortized cost	Amortized cost
Deposits	Loans and receivables - amortized cost	Amortized cost
Other financial assets	FVTPL	FVTPL
Financial liabilities:		
Accounts payable and accrued liabilities	Other liabilities - amortized cost	Amortized cost
Deposits	Other liabilities - amortized cost	Amortized cost

3. Significant Accounting Policies (continued)

i) Financial Instruments (continued):

The following are new accounting policies for financial instruments under IFRS 9.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are recognized in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income or loss. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current or non-current assets based on their maturity date.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset credit risk has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

3. Significant Accounting Policies (continued)

i) Financial Instruments (continued):

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

The Company measures all its financial liabilities as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

j) Impairment of 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.

k) 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

3. Significant Accounting Policies (continued)

k) Foreign Currency Translation (continued)

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.

l) Provision for Asset Retirement Obligation

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and the retirement of assets 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 an asset retirement obligation is recognized based on expected cash flows required to settle the obligation and is discounted at a pre-tax rate specific to the liability. The cost of such obligation is included in mineral property, plant and equipment, as applicable, and is depreciated on the same basis as the related asset. Following the initial recognition of the asset retirement obligation, 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.

m) Employee benefits

Short-term employee benefit obligations are recognized as personnel expenses as the corresponding service is provided. Liabilities are recognized at the amount that is expected to be paid if the Company has a present legal or constructive obligation to pay that amount based on past services rendered by the employee, and the obligation can be estimated reliably. There are no long-term employee benefits.

n) Comparative information

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation. Such reclassifications were not considered material.

4. Accounting Standards Issued but Not Yet Effective

IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 – Leases which replaces IAS 17 – Leases and its associated interpretative guidance. New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. Under IFRS 16, as a lessee, the Company is required to recognize

4. Accounting Standards Issued but Not Yet Effective (Continued)

IFRS 16 - Leases ("IFRS 16") (continued)

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

5. Accounts Receivable

		September 30, 2019		September 30, 2018
Goods and services tax receivable	**$**	**2,210,714**	$	273,886
Other receivables		**13,128**		53,808
Total Accounts Receivables	**$**	**2,223,842**	$	327,694

6. Term Deposits, Including Restricted Cash

Term deposits of $4,640,791 include the following restricted cash items:

(a) The Company was initially required to maintain a deposit of $850,000, which was reduced to $727,000 subsequent to September 30, 2019 (2018 - $nil) as collateral to secure the banking facility relating to the WGP Seaton Development Limited Partnership. This collateral is held in a one-year term deposit which will automatically be renewed with a Canadian bank.

(b) During the year ended September 30, 2019, the Company made a one-year term deposit which will automatically be renewed with a Canadian bank of $2,387,760 as collateral for the construction of infrastructure.

(c) During the year ended September 30, 2019, the Company made a one-year term deposit which will automatically be renewed with a Canadian bank of $1,130,270 (USD $853,485) as collateral for an upcoming equipment purchase with expected delivery date in March 2020.

7. Mineral Property, Plant and Equipment

The Company owns a 100% interest in the Milestone 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

7. Mineral Property, Plant and Equipment (continued)

Saskatchewan Ministry of Energy and Resources 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 $420,000.

A continuity of mineral property interests and property, plant and equipment is as follows:

Cost	**Mineral Interests and Mine Development Costs**	**Construction in Progress**	**Property and Office Equipment**	**Total**
September 30, 2017	$ 81,387,736	$ -	$ 974,056	$ 82,361,792
Additions	3,179,847	3,422,785	4,666	6,607,298
September 30, 2018	84,567,583	3,422,785	978,722	88,969,090
Additions	4,561,859	58,306,881	152,901	63,021,641
Change in asset retirement obligation	2,649,908	-	-	2,649,908
Disposals	-	-	(89,587)	(89,587)
September 30, 2019	**$ 91,779,350**	**$ 61,729,666**	**$ 1,042,036**	**$ 154,551,052**
Accumulated Depreciation				
September 30, 2017	$ -	$ -	$ 475,881	$ 475,881
Depreciation	-	-	52,290	52,290
September 30, 2018	-	-	528,171	528,171
Depreciation	-	-	57,170	57,170
Disposals	-	-	(87,435)	(87,435)
September 30, 2019	**$ -**	**$ -**	**$ 497,906**	**$ 497,906**
Net carrying amount, September 30, 2017	$ 81,387,736	$ -	$ 498,175	$ 81,885,911
Net carrying amount, September 30, 2018	$ 84,567,583	$ 3,422,785	$ 450,551	$ 88,440,919
Net carrying amount, September 30, 2019	**$ 91,779,350**	**$ 61,729,666**	**$ 544,130**	**$ 154,053,146**

The additions above include expenditures totalling $22,166,993 (September 30, 2018 - $1,040,754) incurred in asset under construction but not yet paid and thus have been included in accounts payable and accrued liabilities. The additions also include total of $87,047 (September 30, 2018 - $nil) in share-based payments capitalized to mineral interests and mine development costs.

8. Investment in Associates and Loans Receivable from Associates

Investment in Associates	**FB Burrard**	**FB Eighth**	**FB Robinson**	**FB Third Ave**	**Alabaster LP**	**Total**
At September 30, 2017	$ 4,800,000	$ 1,059,391	$ -	$ -	$ -	$ 5,859,391
Contributions	400,000	3,668,789	5,300,261	2,306,250	-	11,675,300
Return of equity investment	(2,608,289)	-	(640,000)	-	-	(3,248,289)
Sale of investments in associates	(500,000)	-	-	-	-	(500,000)
Income from investment in associates	-	1,715,113	-	-	-	1,715,113
Elimination of interest income earned	(92,348)	-	(113,383)	(48,805)	-	(254,536)
At September 30, 2018	1,999,363	6,443,293	4,546,878	2,257,445	-	15,246,979
Contributions	-	-	598,930	88,750	3,696,000	4,383,680
Return of equity investment	-	(4,728,180)	(906,391)	(100,000)	-	(5,734,571)
Distribution of income from associate	-	(1,715,113)	-	-	-	(1,715,113)
Elimination of interest income earned from associates	-	-	(120,064)	(42,286)	-	(162,350)
At September 30, 2019	**$ 1,999,363**	**$ -**	**$ 4,119,353**	**$ 2,203,909**	**$ 3,696,000**	**$ 12,018,625**

Loans Receivable from Associates	**FB Burrard**	**FB Eighth**	**FB Robinson**	**FB Third Ave**	**Alabaster LP**	**Total**
At September 30, 2017	$ 3,992,084	$ -	$ -	$ -	$ -	$ 3,992,084
Additions to loans receivable	-	4,915,000	4,655,000	9,260,000	-	18,830,000
Interest receivables	-	21,007	19,895	68,499	-	109,401
Loan repayment	(3,992,084)	-	-	-	-	(3,992,084)
At September 30, 2018	-	4,936,007	4,674,895	9,328,499	-	18,939,401
Prior year interest receivable collected	-	(21,007)	(19,895)	(68,499)	-	(109,401)
Loan repayment	-	(4,915,000)	(4,655,000)	(9,260,000)	-	(18,830,000)
At September 30, 2019	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

(a) Investment in associates

(i) FB Burrard

The Company's wholly owned subsidiary Western Potash has a 72.31% limited partnership interest in FB Burrard Development Limited Partnership ("FB Burrard LP") which is in the business of developing a real estate project on 16th Avenue in Vancouver, British Columbia. FB Burrard LP is controlled by its general partner, FB Burrard Development Ltd. ("FB Burrard"). FB Burrard is jointly controlled by Western Garden Properties Corp. ("Western Gardens"), a wholly owned subsidiary of the Company, and Formwerks Boutique Investments Ltd. ("Formwerks"), a Vancouver based real estate development company. 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 accounts for its investment in FB Burrard using the equity method.

Western Potash initially held an 80% interest in FB Burrard LP. In December 2017, the Company sold 500,000 units of its Class A Units in FB Burrard LP representing 7.69% of the total outstanding Class A units, to WGEP Investment Management LLP ("WGEP"), a partnership where two officers of the Company are partners, for total cash proceeds of $500,000. No gain or loss was recognized as the consideration was equal to the carrying value of these units.

Western Potash is obligated to fund 72.31% of FB Burrard LP's development and construction costs not financed by bank financing obtained by FB Burrard LP and any cost over runs. However, the aggregate amount which the limited partners are required to contribute to the Partnership in the

8. Investment in Associates and Loans Receivable from Associates (continued)

(a) Investment in associates (continued)

(i) FB Burrard (continued)

form of capital contributions will not exceed $6,500,000, of which Western Potash's share is $4,700,150. If FB Burrard LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Burrard LP.

On July 26, 2018 FB Burrard LP secured a construction loan with a credit limit of $12,500,000 for its development project and the Company is a guarantor for this construction loan. The maximum liability under this guarantee is limited to $6,250,000 plus interest and costs. As a result of the financing, FB Burrard LP distributed $2,608,289 to the Company's subsidiary Western Potash as a return of equity.

To September 30, 2019 the Company has a net investment of $1,999,363 in FB Burrard LP (2018 - $1,999,363). Cash flows will be distributed to the partners initially in accordance with their respective capital contributions until the initial capital contribution has been recovered; subsequent distributions to Western Potash are limited to 52.31% of profit as defined in the partnership agreement.

(ii) FB Eighth

Western Potash had an 80% limited partnership interest in FB Eighth Development Limited Partnership ("FB Eighth LP"), which was in the business of developing a real estate project in New Westminster, British Columbia. FB Eighth LP was controlled by its general partner, FB Eighth Development Limited ("FB Eighth"). FB Eighth was jointly controlled by Western Garden and Formwerks. Amongst other things, the shareholder agreement requires unanimous consent by Western Garden and Formwerks for decisions related to all relevant activities of FB Eighth. Accordingly, the Company accounted for its investment in FB Eighth using the equity method.

On May 22, 2018, FB Eighth LP accepted an offer to sell the land beneficially owned by FB Eighth LP for a total sale price of $15,350,000. The sale was completed on September 28, 2018. The Company recognized $1,715,113 in income from associate related to its share of the net gain from the sale of the land during the year ended September 30, 2018. On October 3, 2018, FB Eighth LP distributed $6,443,293 representing Western Potash's capital contributions of $4,728,180 and the share of net gain from the sale of the land of $1,715,113. FB Eighth LP also repaid the loan receivable of $4,915,000 plus interest back to Western Potash in full (Note 8 (b)).

(iii) FB Robinson

Western Potash has an 80% interest in FB Robinson Development Limited Partnership ("FB Robinson LP") which is in the business of developing a real estate project in Coquitlam, British Columbia. FB Robinson LP is controlled by its general partner FB Robinson Development Limited ("FB Robinson"). FB Robinson is jointly controlled by Western Garden and Formwerks. Amongst other things, the shareholder agreement requires unanimous consent by Western Garden and Formwerks for decisions related to all relevant activities of FB Robinson. Accordingly, the Company accounts for its

8. Investment in Associates and Loans Receivable from Associates (continued)

(a) Investment in associates (continued)

(iii) FB Robinson (continued)

investment in FB Robinson using the equity method.

Western Potash is obligated to fund 80% of FB Robinson LP's development and construction costs not financed by bank financing obtained by FB Robinson LP and any cost over runs. 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, of which Western Potash's share is $6,800,000. If FB Robinson LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Robinson LP.

On June 10, 2019, FB Robinson LP secured a land loan of up to $6,325,000. The Company provided a corporate guarantee limited to 50% of the loan facility. FB Robinson LP repaid the loan receivable of $4,655,000 and accrued interest of $20,852 in full on July 17, 2019 (Note 8 (b)). As a result of financings received, during the year ended September 30, 2019 FB Robinson LP distributed $906,391 (2018 - $640,000) to the Company's subsidiary Western Potash as a return of equity.

To September 30, 2019, the Company has a net investment of $4,119,353 (2018 - $4,546,878) in FB Robinson. Cash flows will be distributed to the partners initially in accordance with their respective capital contributions until the initial capital contribution has been recovered and subsequent distributions to Western Potash are limited to 60% of profit as defined in the partnership agreement.

(iv) FB Third Ave

On June 22, 2018, Western Garden entered into a shareholders' agreement with Formwerks, 1168930 B.C. Ltd. ("1168930"), CWC Group Enterprises Ltd. ("CWC"), and 1168387 B.C. Ltd ("1168387") to invest in FB 234 Third Avenue Development Limited ("FB Third"). Western Garden, Formwerks, 1168930 and CWC each hold a 22.5% voting interest in FB Third and 1168387 holds a 10% voting interest. Amongst other things, the shareholder agreement of FB Third requires unanimous consent by all the shareholders for decisions related to all relevant activities of FB Third. Accordingly, the Company jointly controls FB Third and accounts for its investment using the equity method. FB Third is the general partner of FB 234 Third Development Limited Partnership ("FB Third LP") which is developing a real estate project in Vancouver, British Columbia. Western Garden holds a 22.5% limited partnership interest in FB Third LP.

Western Garden and all limited partners will advance capital to FB Third LP by way of additional capital contributions to fund the costs of the acquisition of the development lands and the development cost of the project proportionate to its respective ownership interest. The aggregate amount which the limited partners are required to contribute to FB Third LP in the form of capital contributions will not exceed $10,000,000 of which Western Garden's share is $2,250,000. If FB Third LP needs further funding, the limited partners, have the right but not the obligation to loan funds to FB Third LP.

On December 10, 2018, FB Third LP secured a land loan of $10,000,000 and the Company provided

8. Investment in Associates and Loans Receivable from Associates (continued)

(a) Investment in associates (continued)

(iv) FB Third Ave (continued)

a corporate guarantee for the loan limited to a maximum of $2,250,000 plus interest and costs. FB Third LP repaid the loan receivable of $9,260,000 plus interest in full on December 11, 2018 (Note 8 (b)).

To September 30, 2019, Western Garden has a net investment of $2,203,909 (2018 - $2,257,445) in FB Third LP. Cash flow and allocation of net income and losses from FB Third LP will be distributed to the limited partners, pro rata in accordance with their respective proportionate interest.

(v) Alabaster LP

On December 4, 2018, Western Garden entered into an arrangement with Alabaster Holdings Corp. ("Alabaster") and Invesca Holdings Inc. ("Invesca"), together as limited partners of Alabaster (Spires 2) Limited Partnership ("Alabaster LP") to develop a real estate project in Richmond, British Columbia. Western Garden has an 80% interest in Alabaster LP. Alabaster (Spires 2) G.P. Ltd. ("Alabaster GP") is the general partner of Alabaster LP, in which Western Garden has a 50% interest, 1091970 B.C. Ltd. ("109", a related party of Alabaster) has a 25% interest and Kensington Homes Ltd. ("Kensington" a related party of Invesca) has a 25% interest. Western Garden jointly controls Alabaster GP with 109 and Kensington, and accordingly the Company accounts for its investment in Alabaster GP using the equity method. Western Garden and all limited partners will advance capital to Alabaster LP by way of additional capital contributions to fund the costs of the acquisition of the development lands and the development cost of the project proportionate to their respective ownership interest. The aggregate amount which the limited partners are required to contribute to Alabaster LP in the form of capital contributions will not exceed $8,075,000 of which Western Garden's share is $6,460,000. If Alabaster LP needs further funding, the limited partners have the right but not the obligation to loan funds to Alabaster LP. Cash flow and allocation of net income and losses from Alabaster LP will be distributed to Western Garden until its capital contribution has been recovered and a specified rate of return on funds invested has been achieved. Subsequent distributions to Western Garden are limited to 50% of profit as defined in the partnership agreement. Western Garden has made total capital contributions of $3,696,000 to Alabaster LP as of September 30, 2019.

During the year ended September 30, 2019 Alabaster LP made payments of approximately $3,500,000 to acquire one property for the real estate project and for deposits associated with the purchase of an additional three properties. Subsequent to September 30, 2019 Alabaster LP closed the purchase of the remaining three properties with the total purchase price of the four acquired properties being $11,150,000. To finance the closing of the land purchase on closing, Alabaster LP received a land loan of $6,690,000 from National Bank of Canada for which the Company and its subsidiary Western Garden have provided a limited corporate guarantee of up to $3,345,000. In relation to the closing of the land purchase, on November 18, 2019, Western Garden made additional capital contribution of $1,000,000 to Alabaster LP.

8. Investment in Associates and Loans Receivable from Associates (continued)

(a) Investment in associates (continued)

Summarized financial information of FB Burrard LP, FB Eighth LP, FB Robinson LP, FB Third LP and Alabaster LP as of September 30, 2019 and 2018 are as follows:

As of September 30, 2019	FB Burrard LP	FB Eighth LP	FB Robinson LP	FB Third LP	Alabaster LP
Land and capitalized development cost	$ 15,754,816	$ -	$ 11,751,919	$ 20,296,025	$ 3,865,592
Other assets	107,725	-	42,858	19,115	1,175,381
Current liabilities	(60,430)	-	(4,048)	(30,525)	(420,960)
Mortgage on properties and other long term debt	(12,909,203)	-	(6,349,729)	(10,042,740)	-
Loan payable to Western Potash	-	-	-	-	-
Net income	-	-	-	-	-

As of September 30, 2018	FB Burrard LP	FB Eighth LP	FB Robinson LP	FB Third LP	Alabaster LP
Land and capitalized development cost	$ 11,548,361	$ -	$ 10,549,439	$ 19,371,936	$ -
Other assets	39,863	14,005,016	8,775	192,435	-
Current liabilities	(3,726)	(341,560)	(77,888)	(54,371)	-
Mortgage on properties and other long term debt	(8,691,589)	-	-	-	-
Loan payable to Western Potash	-	(4,915,000)	(4,655,000)	(9,260,000)	-
Net income	-	(2,858,521)	-	-	-

All development costs are capitalized by FB Burrard LP, FB Robinson LP, FB Third LP and Alabaster P.

(b) Loans receivable from associates

The Company provided a loan to FB Burrard LP in the amount of $3,992,084 in year ended September 30, 2017. The loan bore interest at the Canadian Western Bank ("CWB") prime rate plus 1.5% per annum with interest payable monthly. The loan principal of $3,992,084 plus accrued interest was repaid in full to the Company on July 18, 2018. There was no such loan advanced to FB Burrard LP during the year ended September 30, 2019.

During the year ended September 30, 2018, the Company provided a loan to FB Eighth LP in the amount of $4,915,000 to facilitate the acquisition of land. The loan bore interest at the CWB prime rate plus 1.5% per annum with interest payable monthly. The loan principal of $4,915,000 and accrued interest of $21,007 was repaid to the Company in full on October 10, 2018.

During the year ended September 30, 2018, the Company provided a loan to FB Robinson LP in the amount of $4,655,000 to facilitate the acquisition of land. The loan bore interest at the CWB prime rate plus 1.5% per annum with interest payable monthly. The loan principal of $4,655,000 and accrued interest of $20,852 was repaid to the Company in full on July 17, 2019.

During the year ended September 30, 2018, the Company provided a loan to FB Third LP in the amount of $9,260,000 to facilitate the acquisition of land. The loan bore interest at 9% per annum until October 28, 2018 and bore interest at 12% thereafter. Interest was payable monthly. The loan principal of $9,260,000 plus accrued interest was repaid to the Company in full on December 11, 2018.

9. Real Estate Properties Under Development

(a) Investment in Seaton LP

On May 3, 2018, Western Garden made an offer to purchase 9 residential unit lots which could permit the development of townhouses in the City of Coquitlam. The Company paid a deposit of $2,515,000 related to the purchase. On October 5, 2018, the land purchase was completed for a total purchase price of $20,380,000.

On August 17, 2018, Western Garden signed a shareholder agreement with Formwerks to set up WGP Seaton Development Ltd. ("WGP Seaton"). Western Garden owns an 80% voting interest in WGP Seaton and Formwerks owns a 20% voting interest. On October 1, 2018, Western Garden entered into an arrangement with Formwerks, as limited partners, in WGP Seaton Development Limited Partnership ("Seaton LP"), to develop this real estate project with Western Garden holding an 80% interest and Formwerks a 20% interest. WGP Seaton is the general partner of Seaton LP and as such is authorized to, and has the power to, carry on the business of Seaton LP. In accordance with the shareholder agreement, the Company has the right to appoint two of the three board members of WGP Seaton and the day-to-day operation of WGP Seaton will be overseen and conducted by individuals designated by Western Garden. Accordingly, the Company has concluded that it controls WGP Seaton and has consolidated WGP Seaton and Seaton LP. Western Garden and Formwerks are obligated to fund Seaton LP's development and construction costs not financed by bank financing and any cost over runs in proportion to their ownership interest. Cash flow and allocation of net income and losses from Seaton LP will be distributed to the limited partners initially in accordance with their respective capital contributions until the initial capital contributions have been recovered and a specified rate of return on funds invested has been achieved. Subsequent distributions to Western Garden are limited to 60% of net profit as defined in the partnership agreement.

The $2,515,000 deposit initially paid by Western Garden was transferred to Seaton LP as Western Garden's initial capital contribution. During the year ended September 30, 2019, Western Garden made additional capital contributions of $7,341,000 to Seaton LP and Formwerks made a capital contribution of $2,514,000.

(b) Mortgage on real estate properties under development

To finance the closing of the Seaton LP land purchase on the completion date of October 5, 2018, Seaton LP received a land loan of $9,500,000 on October 1, 2018 from Industrial and Commercial Bank of China (Canada) ("ICBK"), secured by a first charge on the mortgaged properties in the principal amount of $12,000,000, a corporate guarantee and a first General Security Agreement over all assets of WGP Seaton, a limited corporate guarantee of up to $7,600,000 provided by the Company, and an assignment, as collateral, of a term deposit of the Company (Note 6 (a)). The interest rate is the ICBK's prime rate plus 1.35% per annum payable monthly, with the principal amount payable at maturity. The mortgage matures on October 5, 2020 with an option to extend the mortgage for two additional 6-month periods.

(c) Seaton LP and non-controlling interest

The following table summarizes information related to the Seaton project consolidated by the

9. Real Estate Properties Under Development (continued)

(c) Seaton LP and non-controlling interest (continued)

Company and the 20% non-controlling interest in WGP Seaton (Note 9 (a)):

Assets	**September 30, 2019**	September 30, 2018
Current Assets	**$ 39,377**	$ -
Non-current asset		
Real estate properties under development	**21,832,880**	-
Total assets	**$ 21,872,257**	$ -
Liabilities		
Current liabilities	**$ 2,257**	$ -
Non-current liabilities		
Mortgage on properties	**9,500,000**	-
Total liabilities	**$ 9,502,257**	$ -
Net assets	**$ 12,370,000**	$ -
NCI %	**20.3234%**	-
Net asset attributable to the NCI	**$ 2,514,000**	$ -

10. Loans Receivable

	September 30, 2019	September 30, 2018
Nexst Clive Development Limited Partnership (a)	**$ -**	$ 8,460,000
1148114 B.C. Ltd. (b)	**-**	5,000,000
0942388 B.C. Ltd. (c)	**-**	3,000,000
1163136 B.C. Ltd. (d)	**-**	-
Accrued interest	**-**	134,304
Total loans receivable	**-**	16,594,304
Less current portion	**-**	13,594,304
Long-term portion	**$ -**	$ 3,000,000

(a) Nexst Clive Development Limited Partnership

The Company advanced a first mortgage loan of $8,460,000 to Nexst Clive Development Limited Partnership ("Nexst"), an unrelated company, for acquisition of land for real estate development on December 27, 2017. The loan bore interest at the CWB prime rate plus 4.8% per annum until December 20, 2018 and at 18% per annum to the maturity date of March 20, 2019. Interest on the loan was payable monthly. The loan principal of $8,460,000 plus accrued interest of $374,047 was repaid to the Company in full on April 1, 2019.

10. Loans Receivable (continued)

(b) 1148114 B.C. Ltd.

On January 29, 2018, the Company advanced a first mortgage loan of $8,905,000 to 1148114B.C. Ltd. ("1148114 BC"), an unrelated company, for acquisition of real estate property. Interest was payable monthly. The loan was secured by a first charge security on the acquired property, all the current securities, shares, units and other equity interests owned by 1148114 BC, and the individual shareholders of 1148114 BC as guarantors. On July 20, 2018, principal of $3,905,000 was repaid to the Company. In addition, the maturity date of the loan was extended from July 29, 2018 to July 30, 2019, with interest at 8% per annum to August 31, 2018, interest at 12% per annum from September 1, 2018 to April 29, 2019, and 18% per annum thereafter. The remaining loan principal of $5,000,000 plus accrued interest of $26,301 was repaid to the Company in full on April 23, 2019.

(c) 0942388 B.C. Ltd.

On March 28, 2018, the Company advanced a first mortgage loan of $3,000,000 to 0942388 B.C. Ltd ("0942388 BC"), an unrelated company, for real estate development related activity. The loan bore interest at 10% per annum to September 28, 2019, and 20% per annum until the maturity date of December 28, 2019. Interest was accrued daily and was payable quarterly. The loan was secured by a first ranking security interest in a real estate property located in Vancouver, a first ranking security interest over the property held by 0942388 BC, and the chairman of 0942388 BC provided a personal guarantee for the loan. The loan principal of $3,000,000 plus accrued interest of $74,795 was repaid to the Company in full on July 4, 2019.

(d) 1163136 B.C. Ltd.

On December 18, 2018, the Company advanced a first mortgage loan of $5,000,000 to 1163136 B.C. Ltd ("1163136 BC"), an unrelated company, for real estate development related activity. The loan bore interest at 10% per annum to March 18, 2019 and was to bear interest at 20% per annum until the maturity date of April 19, 2019. Interest was payable monthly. The loan principal of $5,000,000 plus accrued interest was repaid to the Company in full on February 8, 2019.

11. Asset Retirement Obligation

At September 30, 2019, the Company recognized an asset retirement obligation of $2,649,908 for mine development activities that have occurred to date. The following assumptions were used in the calculation of the Company's asset retirement obligation:

	For the years ended	
	September 30, 2019	**September 30, 2018**
Undiscounted cost of asset retirement obligation	$ 2,772,000	$ -
Pre-tax risk-free discount rate	2.25%	N/A
Inflation rate	1.90%	N/A
Year of settlement	2032	N/A

The asset retirement obligation at the date of the statement of financial position represents

11. Asset Retirement Obligation (continued)

management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the asset retirement obligation and associated asset.

12. Share Capital

(a) Share Capital

The Company's authorized share capital consist of unlimited common shares without par value. Pursuant to a rights offering (the "Rights Offering") on March 14, 2019, the Company provided each eligible registered shareholder of the Company One Right (the "Right") for every one common share held. The Right entitled the holder to subscribe for one common share at a subscription price of $0.12 per common share ("Basic Subscription Privilege"). Shareholders who fully exercised their Rights under the Basic Subscription Privilege were entitled to subscribe for additional common shares, on a pro rata basis, if available as a result of unexercised Rights prior to their expiry. Unexercised Rights expired on April 9, 2019.

On April 10, 2019, the Company completed the Rights Offering. A total of 93,437,110 common shares of the Company were issued to holders of Rights at a subscription price of $0.12 per common share for gross cash proceeds of $11,212,454. In connection with the Right Offerings, the Company incurred $91,789 in share issuance costs.

(b) Stock Options

On May 29, 2019, the Company granted 10,250,000 stock options to employees, consultants, directors and officers under its Stock Option Plan at an exercise price of $0.12 per common share. These options will vest 30% each year commencing on the date of successful completion of the commissioning of the Phase I of the Milestone Project as determined by the Board of Directors. These options expire on May 28, 2024. The fair value of these stock options was $597,575 determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.49%; expected life of 5 years; forfeiture rate of 0%; expected volatility of 65% and a dividend rate of 0%.

On June 28, 2019, the Company granted 2,000,000 stock options to a new senior executive under its Stock Option Plan at an exercise price of $0.27 per common share. These options will vest 30% each year commencing on the date of successful completion of the commissioning of the Phase I of the Milestone Project as determined by the Board of Directors. These options expire on June 27, 2024. The fair value of these stock options was $279,600 determined using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.49%; expected life of 5 years; forfeiture rate of 0%; expected volatility of 69%, and a dividend rate of 0%.

For the year ended September 30, 2019, the Company recognized $156,024 (2018 - $nil) of share-based payments of which $68,977 (2018 - $nil) was included in net loss and $87,047 (2018 - $nil) was included in mineral property, plant and equipment.

12. Share Capital (continued)

(b) Stock Options (continued)

As at September 30, 2019, the Company had stock options outstanding, which upon vesting will enable holders to acquire the following common shares:

	Number of Shares	Weighted Average Exercise Price		Expiry Date
Balance, September 30, 2018	-	$	-	
Granted	10,250,000	$	0.12	May 28, 2024
Granted	2,000,000	$	0.27	June 27, 2024
Cancelled	(400,000)	$	(0.12)	May 28, 2024
Balance, September 30, 2019	**11,850,000**	**$**	**0.15**	

None of the outstanding stock options are exercisable at September 30, 2019.

(c) Treasury Shares

Under the terms of a Toronto Stock Exchange approved "normal course issuer bid" during the period from November 4, 2015 to November 3, 2016, the Company 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.

13. Related Party Transactions

(a) Payments to key management personnel

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

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

(b) Other related party transactions

In addition to the loan received from an officer of the Company subsequent to September 30, 2019

13. Related Party Transactions (continued)

(b) Other related party transactions (continued)

described in Note 1, the Company has the following related party transactions:

(i) Accounts receivable at September 30, 2019 include $nil (September 30, 2018 - $17,977) outstanding from investment in associates for expenses paid in advance by the Company.

(ii) Accounts payable at September 30, 2019 include $214,564 in fees outstanding to directors and officers (September 30, 2018 - $35,750).

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

14. Commitments and Contractual Agreements

(a) On December 3, 2018, the Company entered into a lease for office premises in Vancouver which commenced on March 1, 2019 and expires on February 28, 2022. The minimum annual lease payments are approximately $54,000. On February 22, 2019, the Company's subsidiary Western Potash entered into a lease extension agreement for office premises in Regina, which commenced on June 1, 2019 and expires on May 31, 2020. The minimum annual lease payments are approximately $46,000.

(b) The Company's 100% owned subsidiary, Western Potash entered into a water supply agreement with respect to the Milestone Project dated November 15, 2012 with the City of Regina with a term of 44 years and which would have required fixed payment for water usage at a rate of $0.25/cubic meter (increasing by 1% annually) multiplied by a fixed annual volume as prescribed in the agreement. On December 21, 2017, the agreements were amended to stipulate that the City of Regina will provide Western Potash a preferential right to access a maximum of up to 25,000 cubic meters of water at a rate of $0.2628/cubic meter (increasing by a multiplier every year) per day of recycled water for an agreed term of 40 years from the start of water flow. During the year ended September 30, 2019, the Company has paid annual standby fee of $104,725. Half of the commitment fee and standby fee will be credited against the annual water usage fees if water usage commences on or before December 31, 2025. If the Company does not commence usage on or before December 31, 2025, all credits accrued until that date will no longer be creditable against the annual usage fees. Furthermore, the Company will be required to pay a standby fee of $500,000 annually after December 31, 2025 until the earlier of the date water usage commences and the term of the agreement which is defined in the agreement as 40 years after connection to the Regina water system is completed. Both the City of Regina and the Company have the option to terminate the contract on or after December 3, 2025 if usage has not commenced by that date.

(c) On October 25, 2018, Western Potash signed an off-take agreement with a North American company in the business of selling agricultural fertilizers to purchase an annual production of 146,000 metric tons of product from Western Potash once production at the Milestone Project reaches the designed capacity, for a duration of 10 years.

(d) The Company's 100% owned subsidiary, Western Potash, has entered into various capital

14. Commitments and Contractual Agreements (Continued)

(d) Continued

expenditure commitments for the procurement and construction of Phase I of the Milestone Project. As of September 30, 2019, total capital expenditure commitments and the expected due dates are summarized as follows:

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

15. Financial Instruments and Risk Factors

a) Fair values

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are 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, 2019, investments in marketable securities of other public entities are included in other financial assets and were recorded at fair value on the statement of financial position with changes to fair value recognized in profit or loss. The Company's investments in marketable securities have been valued using Level 1 inputs. The carrying values of the Company's cash and cash equivalents, term deposits, accounts receivables, deposits, accounts payable, deposit liabilities and mortgage liability approximate their fair value due to their short terms to maturity, associated market based interest rates, 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, the carrying value of which represents the Company's maximum exposure to credit risk. Cash and cash equivalents and term deposits are held with reputable Canadian financial

15. Financial Instruments and Risk Factors (continued)

b) Credit risk (continued)

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

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, 2019, the Company had a cash and cash equivalent balance of $2,217,828 and a credit facility for an amount up to $40,000,000 (Note 1), to settle current liabilities of $22,683,578. All of the Company's accounts payables and liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The mortgage on real estate properties under development is due on October 5, 2020. The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available credit facilities, changes in commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner (Note 1).

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 and cash equivalents, term deposits and a mortgage on real estate properties under development which bear interest. The Company's current policy is to invest excess cash in high yield term deposits and bankers' acceptances with fixed interest rates. The Company regularly monitors its cash management policy. At September 30, 2019, the Company's mortgage on real estate properties under development have variable rates of interest. A 1% increase or decrease in interest rates would increase or decrease annual interest income by approximately $95,000 based on the carrying value of these interest-bearing variable rate instrument at September 30, 2019.

ii) Foreign currency risk

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

15. Financial Instruments and Risk Factors (continued)

d) Market risk (continued)

ii) Foreign currency risk (continued)

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

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

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

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

16. Segmented Information

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

For the Year Ended September 30, 2019	**Real Estate**	**Mineral Properties**	**Total**
Interest and other income (expense)	$ 1,450,335	$ (104,941)	$ 1,345,394
Operating expenses	195,683	2,071,874	2,267,557
Net income (loss)	1,254,652	(2,176,815)	(922,163)
As of September 30, 2019			
Total assets	33,950,695	163,983,028	197,933,723
Non current assets	33,851,505	154,748,832	188,600,337
Current assets	99,190	9,234,196	9,333,386
Total liabilities	(9,512,380)	(25,321,106)	(34,833,486)
Non-controlling interest	(2,514,000)	-	(2,514,000)

16. Segmented Information (continued)

For the Year Ended September 30, 2018	**Real Estate**	**Mineral Properties**	**Total**
Interest and other income	$3,399,170	$ 905,175	$ 4,304,345
Operating expenses	61,017	2,291,400	2,352,417
Net income (loss)	3,338,153	(1,386,225)	1,951,928
As of September 30, 2018			
Total assets	53,360,165	98,343,554	151,703,719
Non current assets	20,761,979	88,568,692	109,330,671
Current assets	32,598,186	9,774,862	42,373,048
Total liabilities	(205,200)	(1,266,808)	(1,472,008)
Non-controlling interest	-	-	-

17. Contingencies

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

a) Lockwood Financial Ltd.

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

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

b) Amarillo Gold Corporation

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

17. Contingencies (continued)

b) Amarillo Gold Corporation (continued)

currently possible for the Company to conclude definitively whether it has a present obligation and if so, whether it is probable that a cash outflow will be required to settle the obligation, however based on the information obtained to date the Company does not believe any funds are owed to Amarillo under the services agreement.

c) Other losses

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

18. 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. During the year ended September 30, 2019, the Company has entered into a mortgage of $9,500,000 for its real estate properties under development discussed in Note 9 (b), issued a total of 93,437,110 common shares pursuant to a rights offering for gross cash proceeds of $11,212,454 discussed in Note 12 (a), and entered into a credit facility with its majority shareholder (Note 1) to finance operations.

Historically, the Company has been dependent on the capital markets for its 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 September 30, 2019, the Company has invested into real estate projects to increase the return on cash assets before the cash will be used to fund the Milestone Project.

19. Income Taxes

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

	2019	2018
Statutory tax rate	**27%**	27%
Income(loss) for the year	**$ (922,163)**	$ 1,951,928
Income tax expense/recovery at statutory rates	**(248,984)**	527,021
Effect of change in tax rate	**-**	(569,002)
Non-deductible items and other	**55,766**	198,661
Temporary differences not recognized	**193,218**	(156,680)
	$ -	$ -

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

	2019	2018
Non-capital losses carried forward	**$ 53,663,230**	$ 52,630,293
Capital losses carried forward	**5,252,290**	5,252,290
Mineral property, plant and equipment	**5,360,820**	8,097,775
Asset retirement obligation	**2,649,908**	-
Others	**2,230,682**	2,361,175
	$ 69,156,930	$ 68,341,533

The Company's non-capital and capital losses carried forward for Canadian income tax purposes expire in various years through to 2039. Non-capital losses may be applied against future taxable income and capital losses are deductible against future capital gains, if any. The Company has approximately $158.3 million of exploration and development costs which are available for deduction against future income for tax purposes. The exploration and development deductions do not expire.