

**IC POTASH CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Nine Months Ended**

**September 30, 2010**

**(Unaudited)**

**IC POTASH CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
 Unaudited

	September 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 15,670,549	\$ 7,358,172
Receivables	54,550	46,672
Prepaid expenses	<u>22,786</u>	<u>63,238</u>
	15,747,885	7,468,082
<b>Equipment</b> (note 4)	63,923	149,686
<b>Deposits</b> (note 5)	92,623	52,697
<b>Mineral properties</b> (note 5)	<u>5,493,868</u>	<u>3,175,862</u>
	<u>\$ 21,398,299</u>	<u>\$ 10,846,327</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 807,514</u>	<u>\$ 1,324,260</u>
<b>Shareholders' equity</b>		
Capital stock (note 6)	26,014,944	12,305,072
Contributed surplus (note 6)	1,872,494	683,838
Deficit	<u>(7,296,653)</u>	<u>(3,466,843)</u>
	<u>20,590,785</u>	<u>9,522,067</u>
	<u>\$ 21,398,299</u>	<u>\$ 10,846,327</u>

**Basis of presentation** (note 1)  
**Nature of operations and going concern** (note 2)  
**Commitments** (note 10)  
**Subsequent Events** (note 14)

**On behalf of the Board:**

Signed "Sidney Himmel"      **Director**      Signed "George Poling"      **Director**

The accompanying notes are an integral part of these consolidated financial statements.

**IC POTASH CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
Unaudited

	<b>Three month Period Ended 30-Sep-10</b>	Three month Period Ended 30-Sep-09	<b>Nine month Period Ended 30-Sep-10</b>	Nine month Period Ended 30-Sep-09
<b>EXPENSES</b>				
Administration	\$ 78,614	\$ 26,940	\$ 218,876	\$ 85,139
Amortization	5,694	591	27,544	751
Business and market development	60,099	9,257	91,857	39,249
Consulting fees	(45,000)	-	355,928	104,688
Foreign exchange loss	55,021	29,619	10,132	43,029
Investigation costs	-	-	-	8,036
Investor relations	(1,585)	2,653	189,798	22,951
Professional fees	50,223	51,382	248,402	140,557
Rent and storage	18,029	29,509	64,027	98,817
Regulatory fees	2,977	-	30,139	-
Stock-based compensation (note 7)	910,975	-	1,188,656	72,532
Travel	20,323	52,853	139,372	96,665
Wages and benefits	331,580	257,351	907,459	795,933
<b>Loss before other items</b>	<b>(1,486,951)</b>	<b>(460,155)</b>	<b>(3,472,190)</b>	<b>(1,508,347)</b>
<b>OTHER ITEMS</b>				
Interest income	1,362	1,211	2,778	13,014
Loss on disposal of equipment (note 4)	(62,779)	-	(62,779)	-
Write-off mineral properties (note 5)	-	-	(297,620)	-
	<b>(61,416)</b>	<b>1,211</b>	<b>(357,621)</b>	<b>13,014</b>
<b>Loss and comprehensive loss for the period</b>	<b>(1,548,367)</b>	<b>(458,944)</b>	<b>(3,829,811)</b>	<b>(1,495,333)</b>
<b>Deficit, beginning of the period</b>	<b>(5,748,286)</b>	<b>(1,965,822)</b>	<b>(3,466,842)</b>	<b>(929,433)</b>
<b>Deficit, end of period</b>	<b>\$ (7,296,653)</b>	<b>\$ (2,424,766)</b>	<b>\$ (7,296,653)</b>	<b>\$ (2,424,766)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>65,511,620</b>	<b>40,800,001</b>	<b>61,457,930</b>	<b>40,728,309</b>

The accompanying notes are an integral part of these consolidated financial statements.

**IC POTASH CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Unaudited

	<b>Three Month Period Ended 30-Sep-2010</b>	Three Month Period Ended 30-Sep-2009	<b>Nine Month Period Ended 30-Sep-2010</b>	Nine Month Period Ended 30-Sep-2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (1,548,367)	\$ (458,944)	\$ (3,829,811)	\$ (1,495,333)
Items not affecting cash:				
Amortization	5,694	591	27,544	751
Loss on disposal of equipment	62,779	-	62,779	-
Stock-based compensation	910,975	-	1,188,656	72,532
Unrealized foreign exchange loss	2,589	-	1,175	-
Write-off mineral properties	-	-	297,620	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(37,009)	4,891	(7,882)	(1,944)
(Increase) decrease in prepaid expenses	(5,164)	(7,395)	25,202	(29,010)
Decrease in deposits	-	4,522	2,796	6,122
Increase (decrease) in payable and accrued liabilities	(52,628)	(30,856)	(201,522)	83,036
Net cash used in operating activities	<u>(661,131)</u>	<u>(487,191)</u>	<u>(2,433,443)</u>	<u>(1,363,846)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of equipment	(1,762)	(9,165)	(4,559)	(11,301)
Deferred transaction costs	-	(149,974)	-	(234,797)
Deposits for mineral projects	-	-	(28,643)	-
Expenditures on mineral properties	(1,864,890)	(213,819)	(3,231,136)	(550,197)
Net cash used in investing activities	<u>(1,866,652)</u>	<u>(372,958)</u>	<u>(3,264,338)</u>	<u>(796,295)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Share capital - Private Placement	15,000,000	-	15,000,000	-
Share issuance costs	(587,461)	(3,451)	(989,842)	(8,470)
Net cash provided by (used in) financing activities	<u>14,412,539</u>	<u>(3,451)</u>	<u>14,010,158</u>	<u>(8,470)</u>
<b>Decrease in cash for the period</b>	<b>11,884,756</b>	<b>(863,600)</b>	<b>8,312,377</b>	<b>(2,168,611)</b>
<b>Cash, beginning of period</b>	<b>3,785,793</b>	<b>2,908,941</b>	<b>7,358,172</b>	<b>4,213,952</b>
<b>Cash, end of period</b>	<b>\$ 15,670,549</b>	<b>\$ 2,045,341</b>	<b>\$ 15,670,549</b>	<b>\$ 2,045,341</b>

**Supplemental disclosure with respect to cash flows (note 9)**

The accompanying notes are an integral part of these consolidated financial statements

**1. BASIS OF PRESENTATION**

These consolidated financial statements contained herein include the accounts of IC Potash Corp. (“IC Potash”) and its wholly-owned subsidiaries Intercontinental Potash Corp. (“ICP”) and Trigon Exploration Utah Inc. (collectively referred to as the “Company”).

The interim period consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). All amounts, unless specifically indicated otherwise, are presented in Canadian dollars. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of audited annual consolidated financial statements except as disclosed below.

Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with GAAP has been condensed or omitted. These interim period financial statements should be read together with the Company’s most recent annual consolidated financial statements and the accompanying notes. In the opinion of management, the Company’s unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications may have been made to the prior period financial statements to conform to the current period presentation.

**2. NATURE OF OPERATIONS AND GOING CONCERN**

IC Potash, formerly Trigon Uranium Corp., was incorporated under the Canada Business Corporations Act on November 8, 2002. IC Potash’s primary business is the acquisition and exploration of mineral properties and it is considered to be in the exploration stage. To date IC Potash has not earned operating revenue.

On November 30, 2009, IC Potash acquired 100% percent of the outstanding common shares of ICP, a company involved in exploration for potash and potash-related minerals. The acquisition constituted a Reverse Take-over (“RTO”) and, although IC Potash is the legal parent of ICP, ICP was deemed to have acquired IC Potash for accounting purposes. Accordingly, the consolidated statements of operations and deficit and cash flows for the period ended September 30, 2009 are those of ICP.

IC Potash has not yet determined whether its mineral properties contain economically recoverable ore reserves. The recovery of the amounts comprising mineral properties and deferred exploration costs are dependent upon the confirmation of economically recoverable reserves, the ability of IC Potash to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon IC Potash’s ability to dispose of its interest on an advantageous basis.

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 its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has incurred ongoing losses and there is uncertainty about its ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

*(i) International Financial Reporting Standards (“IFRS”)*

The Canadian Accounting Standards Board (“AcSB”) announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. A changeover plan has been established to convert to the new standards within the allotted timeline. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. The conversion to IFRS will require the Company to change certain accounting policies, systems, internal controls over financial reporting and disclosure controls. The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion. Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its consolidated financial statements.

*(ii) Business Combinations*

In January 2009, the CICA issued Handbook Sections 1582 – *Business Combinations*, 1601 – *Consolidated Financial Statements*, and 1602 – *Non-Controlling Interests*, which replace Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements” effective January 1, 2011 with earlier adoption permitted. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 requires net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests to be reported as a component of equity. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for the Company’s interim and annual consolidated financial statements for the fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company is evaluating the future impact on its financial statements.

**4. EQUIPMENT**

	September 30, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 30,520	\$ 11,641	\$ 18,879	\$ 22,031	\$ 1,019	\$ 21,012
Computer equipment	74,813	50,514	24,299	50,519	1,959	48,560
Exploration equipment	9,291	5,183	4,108	59,843	1,317	58,526
Vehicle	45,232	28,595	16,637	22,940	1,352	21,588
	<u>\$ 159,856</u>	<u>\$ 95,933</u>	<u>\$ 63,923</u>	<u>\$ 155,333</u>	<u>\$ 5,647</u>	<u>\$ 149,686</u>

The Company wrote-off missing and obsolete equipment during the quarter resulting in a loss of \$62,779. The cost of computer equipment was decreased by 104,546 and related accumulated amortization was decreased by \$89,729. The cost of other equipment was decreased by 140,946 and related accumulated amortization was decreased by \$92,985.

**IC POTASH CORP.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010  
Unaudited

**5. MINERAL PROPERTIES**

<b>9 months ended September 30, 2010</b>	<b>Ochoa</b>	<b>Dove Creek</b>	<b>Sinbad</b>	<b>Pine Ridge</b>	<b>Other</b>	<b>Total</b>
<b>Acquisition costs</b>						
Balance, beginning of period	\$ 656,518	\$ 105,634	\$ 23,109	\$ 7,870	\$ 17,950	\$ 811,081
Additions during the period						
Landman costs	109,045	-	-	-	-	109,045
Permit application and acquisition (recovery)	81,452	-	(14,286)	-	-	67,166
<b>Total acquisition costs</b>	<b>847,015</b>	<b>105,634</b>	<b>8,823</b>	<b>7,870</b>	<b>17,950</b>	<b>987,292</b>
<b>Deferred exploration costs</b>						
Balance, beginning of period	2,236,333	16,030	17,454	16,030	78,937	2,364,784
Additions during the period						
Data Acquisition	1,246	-	-	-	-	1,246
Analytical	147,641	-	-	-	-	147,641
Summer Interns	15,679	-	-	-	-	15,679
Geology	400,986	-	-	-	28,892	429,878
Archaeological studies	7,397	-	-	-	-	7,397
Land surveys	22,212	-	-	-	-	22,212
Metallurgical	116,308	-	-	-	-	116,308
Field expenses	153,817	-	-	-	-	153,817
Drilling	1,286,851	-	-	-	-	1,286,851
Mining Engineering	69,096	-	-	-	-	69,096
Pre-Feasibility	181,600	-	-	-	-	181,600
Marketing	7,687	-	-	-	-	7,687
<b>Total deferred exploration costs</b>	<b>4,646,853</b>	<b>16,030</b>	<b>17,454</b>	<b>16,030</b>	<b>107,829</b>	<b>4,804,196</b>
<b>Write-down during the period</b>	<b>-</b>	<b>(121,664)</b>	<b>(26,277)</b>	<b>(23,900)</b>	<b>(125,779)</b>	<b>(297,620)</b>
<b>TOTAL</b>	<b>\$ 5,493,868</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,493,868</b>

**IC POTASH CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Unaudited**

**5. MINERAL PROPERTIES (cont'd...)**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, title to the properties are in good standing.

a) Ochoa property

During 2008, the Company acquired certain federal sub-surface potassium prospecting permits located in Lea County, New Mexico. The permits are valid for two years with the next annual rent due on December 1, 2011. During 2010, the Company acquired additional permits with the next annual rent due on March 1, 2011 and New Mexico state mining leases with the next annual rent due on May 24, 2011. The permits are renewable every two years if the Company meets performance criteria. The Company also paid US\$50,000 into a Permit Bond and US\$25,000 into a MegaBond for performance and surface or improvement damage that may be refundable if certain prospecting and reclamation requirements are satisfied, thus these amounts are recorded as deposits on the balance sheet. The leases are good for ten years, with subsequent renewals as long as minerals are produced in paying quantities. As part of the acquisition of the Ochoa permits, the Company issued 500,000 common shares valued at \$30,000 during fiscal 2009.

The Ochoa Property is subject to a royalty of US\$1.00 per ton of polyhalite mined for the first 1,000,000 tons and US\$0.50 per ton thereafter. A 5% gross royalty is expected to be imposed by the federal government on the federal prospecting permits and a 2.5% gross royalty is expected to be imposed by the state of New Mexico on state leases. The Company signed a royalty agreement on September 28, 2009 for an additional 3% net profits royalty (the "Profit Royalty") for a term of 25 years commencing from the initiation of production of which 1% of the royalty is payable to a director of the Company. The Company may acquire, at its option, up to one-half of the Profit Royalties at a price of \$3,000,000 per 0.5%.

b) Other properties

In March 2010, the Company wrote off all other mineral properties (including Dove Creek, Sinbad, Pine Ridge, and Other) because the Company does not intend to advance these properties in the foreseeable future.

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares			
Common shares issued			
Balance as at December 31, 2009	59,397,490	\$ 12,305,072	\$ 683,838
Private placements	37,500,000	15,000,000	-
Share issue costs	-	(1,290,128)	-
Stock-based compensation	-	-	1,188,656
Balance at September 30, 2010	96,897,490	26,014,944	1,872,494

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Share Issuances**

- (i) On September 15, 2010, the Company issued 37,500,000 units pursuant to a non-brokered private placement at \$0.40 per unit for gross proceeds of \$15,000,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Company for \$0.65 per share until September 15, 2013. The Company paid finders' fees of \$227,800 in connection with the financing.

**Escrow**

Included in the shares outstanding at September 30, 2010, are 4,185,622 (September 30, 2009 – nil) common shares held in escrow. The escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulators.

**7. STOCK OPTIONS AND WARRANTS**

**Stock options**

The Company has an incentive stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a maximum term of five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

As at September 30, 2010, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options	Exercise Price	Expiry Date
125,000	\$ 1.34	November 6, 2011
43,750	4.20	January 9, 2012
100,000	0.40	August 4, 2013
150,000	1.16	August 28, 2013
3,750,000	0.40	June 14, 2014
650,000	0.45	April 22, 2015
1,102,245	0.40	August 4, 2015
272,255	0.40	September 19, 2015
950,000	0.50	September 19, 2015
<b>7,143,250</b>		

**IC POTASH CORP.**  
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**7. STOCK OPTIONS AND WARRANTS (cont'd...)**

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2009	4,175,000	\$ 0.50
Cancelled/expired	(106,250)	2.55
Granted	3,074,500	0.39
Outstanding at September 30, 2010	7,143,250	\$ 0.47
Number of options exercisable at September 30, 2010	7,143,250	\$ 0.47

**Stock-based compensation**

During fiscal 2010, the Company granted 3,074,500 options to consultants, officers, and directors of the Company. All options vested at the grant date. The fair value of the options, as determined by the Black-Scholes option pricing model, was \$1,188,656 or \$0.39 per option. Total share-based compensation for the quarter was \$910,975.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during 2010:

Risk-free interest rate	2.46%
Expected life of options	4.93 years
Annualized volatility	111.2%
Dividend rate	0%

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**7. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants**

As at September 30, 2010, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Expiry Date
8,852,200	\$ 0.65	December 2, 2011
68,750	\$ 0.65	December 3, 2011
<u>18,750,000</u>	\$ 0.65	September 15, 2013
<u>27,670,950</u>		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2009	8,920,950	\$ 0.65
Expired	nil	
Granted	<u>18,750,000</u>	\$ 0.65
Outstanding at September 30, 2010	<u>27,670,950</u>	\$ 0.65

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**7. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Agents' unit options**

As at September 30, 2010, the Company had agents' unit options outstanding, enabling the holders to acquire the following number of units:

Number of Unit Options	Exercise Price	Expiry Date
398,300	\$ 0.40	December 2, 2010
398,300		

Agents' unit option transactions are summarized as follows:

	Number of Unit Options	Weighted Average Exercise Price
Outstanding at December 31, 2009 and September 30, 2010	398,300	\$ 0.40

**8. RELATED PARTY TRANSACTIONS**

During the nine month period ended September 30, 2010, the Company entered into the following transactions with related parties:

- a) Paid or accrued directors' fees, included in administrative costs, of \$86,000 (2009 - \$9,750) to directors of the Company.
- b) Paid or accrued consulting fees of \$nil (2009 - \$9,000) to directors of the Company.

Included in accounts payable as at September 30, 2010 is \$8,666 (2009 - \$26,623) due to directors and corporations controlled by directors.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

<b>Supplemental disclosure with respect to cash flows</b>	Nine Months ended September 30, 2010	Nine Months ended September 30, 2009
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Accrued mineral property expenditures	\$ 131,210	\$ 36,691
Accrued deferred financing costs	\$ 465,938	\$ -
Accrued equipment expenditures	\$ -	\$ -

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**10. COMMITMENTS**

The Company has entered into four operating lease agreements for premises, with annual lease commitments as follows:

2010	\$	11,118	USD	\$	2,970	CAD
2011		25,590			-	
2012		16,469			-	
2013		5,543			-	
	\$	58,720	USD	\$	2,970	CAD

The Company entered into a consulting agreement dated September 20, 2010 that terminates on May 31, 2012. Twenty monthly payments of \$15,000 are required until the termination date for a total commitment of \$300,000.

**11. SEGMENTED INFORMATION**

The Company has one reportable business segment being the acquisition and exploration of mineral properties. Geographical information is as follows:

	September 30, 2010			December 31, 2009		
	Canada	USA	Total	Canada	USA	Total
Equipment	\$ 15,104	\$ 48,818	\$ 63,922	\$ 75,028	\$ 74,658	\$ 149,686
Mineral Properties	-	5,493,868	5,493,868	-	3,175,862	3,175,862
	\$ 15,104	\$ 5,542,686	\$ 5,557,790	\$ 75,028	\$ 3,250,520	\$ 3,325,548

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Financial instruments*

The Company has designated its cash and deposits as held-for-trading, measured at fair value using level one as the basis for measurement in the fair value hierarchy. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The carrying value of receivables and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of chequing and savings accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to \$100,000 in Canada and up to \$100,000 in the United States. Financial instruments included in receivables consist of amounts due from government agencies, and receivables from related and unrelated companies. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for receivables by standard credit checks. The Company's credit risk has not changed significantly from the prior period.

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Liquidity risk*

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. 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, 2010, the Company had a cash balance of \$15,670,549 to settle current liabilities of \$807,514.

*Interest rate risk*

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

*Foreign currency risk*

The Company's functional currency is the Canadian dollar, however most major transactions are in US dollars. Thus, the Company has converted the majority of its cash to US currency. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% change in the foreign exchange rate would have had a \$128,213 impact on foreign exchange gain or loss.

*Price risk*

The Company is exposed to price risk with respect to commodity prices, specifically potash and other fertilizer products. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future mining operations will be significantly affected by changes in the market prices for potash. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities, and stability of exchange rates can all cause significant fluctuations in commodity prices.

### **13. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- (a) To safeguard its ability to continue as a going concern;
- (b) Continue the exploration of its mineral properties; and
- (c) Maintain a capital structure which optimizes the cost of capital at acceptable risk.

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants and options. The Company had no bank indebtedness at period-end. 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 must rely on capital markets to support continued growth. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. The Company does not pay dividends.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the period ended September 30, 2010.

### **14. SUBSEQUENT EVENTS**

The following events occurred subsequent to September 30, 2010:

- a) The Company granted 700,000 stock options with an exercise price of \$0.58 and an expiry date of November 8, 2015 to one officer and two consultants. The options fully vest immediately.
- b) The Company granted 200,000 stock options with an exercise price of \$0.80 and an expiry date of November 22, 2015 to two consultants. The options fully vest immediately.