



**Vancouver, BC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Years Ended September 30, 2009  
and September 30, 2008**

**WESTERN POTASH CORP.**  
**INDEX FINANCIAL STATEMENTS**

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A CHAN AND COMPANY  
CHARTERED ACCOUNTANTS

## AUDITORS' REPORT

To the Shareholders of Western Potash Corp.:

We have audited the consolidated balance sheets of Western Potash Corp. as at September 30, 2009 and September 30, 2008, and the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted audit standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2009 and September 30, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*“A Chan and Company”*  
Chartered Accountants

Vancouver, BC  
January 25, 2010



**WESTERN POTASH CORP.**  
**Consolidated Statements of Loss, Comprehensive Loss and Deficit**  
**For the Years Ended September 30, 2008 and 2009**

	2009	2008
Expenses:		
Accounting fees	\$ 108,697	\$ 86,417
Amortization	32,891	13,438
Bank charges and interest	10,566	2,649
Consulting fees (Note 9)	1,636,819	953,195
Exploration expenses (Note 12(c))	67,035	-
Filing and regulatory fees	70,399	65,349
Foreign Exchange Loss (Note 5(c))	287,854	-
Investor relations	605,038	437,917
Legal fees	162,368	53,676
Office and miscellaneous	147,847	103,015
Rent	100,225	56,330
Salaries, wages and benefits	230,388	27,650
Stock based compensation (Note 7(d)(ii))	618,986	6,747,122
Telephone	43,112	17,269
Travel	462,201	423,711
Loss before other item	4,584,426	8,987,738
Interest income	287,606	685,719
Loss before income taxes recovery	4,296,820	8,302,019
Future income taxes recovery (Note 11)	842,970	271,560
Net Loss and Comprehensive Loss	3,453,850	8,030,459
Deficit, beginning	8,113,081	82,622
Deficit, ending, to Exhibit "A"	\$ 11,566,931	\$ 8,113,081
Weighted Loss per share		
- basic and diluted	\$ 0.03	\$ 0.116
Weighted Average Number of Shares Outstanding	102,709,200	69,519,352

- see accompanying notes -

**WESTERN POTASH CORP.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended September 30, 2008 and 2009**

	2009	2008
<b>Operating Activities:</b>		
Net Loss, per Exhibit "B"	\$ (3,453,850)	\$ (8,030,459)
Adjustment for -		
Amortization	32,891	13,438
Amortization of prepaid expenses	11,599	-
Future income tax recovery	(842,970)	(271,560)
Stock based compensation	618,986	6,747,122
Changes in non-cash working capital -		
(Increase) Decrease in accounts and GST receivable	(612,033)	(315,481)
(Increase) Decrease in prepaid expenses	(41,100)	10,880
Increase (Decrease) in accounts payable and accrued liabilities	(815,585)	138,739
<b>Cash flows used in operating activities</b>	<b>(5,102,062)</b>	<b>(1,707,321)</b>
<b>Investing Activity:</b>		
Acquisition of equipment	(21,548)	(89,587)
Acquisition of mineral property and deferred development costs	(10,005,440)	(6,311,649)
Acquisition of investment	(750,000)	(2,100,000)
Deposit	(22,285)	-
Deposit on investment	1,505,272	(1,505,272)
Loan receivable	(330,000)	-
Term deposits	(4,781,506)	-
<b>Cash flows used in investing activities</b>	<b>(14,405,507)</b>	<b>(10,006,508)</b>
<b>Financing Activities:</b>		
Issuance of share capital, subscriptions receipts and shares subscribed	2,641,307	40,926,568
Shares purchase buy back for cancellation	(1,397,758)	-
(Increase) Decrease in subscription receivable	-	1,137,002
<b>Cash flows from financing activities</b>	<b>1,243,549</b>	<b>42,063,570</b>
<b>Net Increase in Cash</b>	<b>(18,264,020)</b>	<b>30,349,741</b>
<b>Cash and cash equivalents, beginning</b>	<b>34,135,139</b>	<b>3,785,398</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 15,871,119</b>	<b>\$ 34,135,139</b>

- see accompanying notes -

**WESTERN POTASH CORP.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended September 30, 2008 and 2009**

	<b>2009</b>	<b>2008</b>
<hr/>		
Non-cash activities:		
(i) 300,000 shares issued at fair value pursuant to a mineral properties option agreement for the year ended September 30, 2009 (See Note 5(a)) (300,000 shares for the year ended September 30, 2008)	\$ 135,000	\$ 390,000
(ii) nil shares issued at fair value for consulting services rendered for the year ended September 30, 2009 (120,000 shares for the year ended September 30, 2008)	\$ -	\$ 30,000
(iii) accrual for exploration costs for the year ended September 30, 2009 (\$854,804 for the year ended September 30, 2008)	\$ 676,484	\$ 854,804
<hr/> <hr/>		
Cash and cash equivalents consist of:		
Cash	\$ 850,036	\$ 3,500
Overdraft	-	(1,385,109)
Bankers acceptances and GIC's	15,021,083	35,516,748
	<hr/> <b>\$ 15,871,119</b>	<hr/> <b>\$ 34,135,139</b>
<hr/> <hr/>		
Supplemental disclosure of cash flow information:		
Interest	\$ -	\$ -
Income taxes	-	-
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- see accompanying notes -

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**1. Nature of Operations and General Information:**

- a) Western Potash Corp, "the Company" was incorporated on April 5, 2007 under the British Columbia Business Corporations Act using the name 787604 BC Ltd.
- b) The Company changed its name from 787604 BC Ltd. to Western Potash Corp. on July 10, 2007.
- c) The Company's principal business activities include the acquisition, evaluation, and exploration of mineral properties containing potash in Western Canada. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

As at September 30, 2009, the Company had working capital of \$20,663,432 (2008 - \$33,365,311) and an accumulated deficit of \$11,566,931 (2008 - \$8,113,081). The Company will commence the 3D Seismic Surveys and Scoping Study of the Milestone Property in Saskatchewan in the second quarter of 2010 and management believes that it has sufficient funds to complete this Phase II drilling program. The management also believes that it also has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mineral property expenditures is dependent on management's ability to secure additional financing. Once it has completed its Phase II drilling program at its Milestone Property in Saskatchewan, the Company will secure additional funding to complete the pre-feasibility study which is budgeted at about \$15 million. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

**2. Significant Accounting Policies:**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

- a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Discovery Harbour Resources Corp. (a company incorporated in the province of British Columbia), Potassio Ocidental M Ltda (a company incorporated in Brazil) and WPX Land Holdings Corp. (a company incorporated in the province of Saskatchewan but inactive as at

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**2. Significant Accounting Policies: (Continued)**

a) Principles of Consolidation – (Continued)

September 30, 2009). 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 original maturities of three months or less to be cash equivalents.

c) Equipment -

Equipment is recorded at cost. Amortization is calculated using the declining balance method at the following annual rate:

Automobiles	30%
Computer Software	100%
Furniture and Fixtures	20%

For the year of acquisition, the rate is one-half of that shown above. When the net carrying amount of the equipment exceeds the estimated net recoverable amount, the asset is written down to its estimated fair value and a charge is recorded in the statement of income and retained earnings.

d) Future Income Taxes -

The asset and liability method is used in accounting for income taxes. Future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates at each balance sheet date. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the year in which the change occurs. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated amount more likely-than-not to be realized. A valuation allowance is recognized to the extent that recoverability of future income tax assets is not considered likely.

e) Flow-through Shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The tax effect related to renounced expenditures is recorded as a reduction of share capital and an increase in future income tax liabilities unless sufficient previously unrecorded future income tax assets exist to offset such charge in which case the amount is credited to income tax expense.

f) Basic and Diluted Loss Per Share -

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

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**2. Significant Accounting Policies: (Continued)**

f) Basic and Diluted Loss Per Share – (Continued)

the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended September 30, 2009 and September 30, 2008, potentially dilutive common shares relating to options and warrants outstanding totalling 50,815,155 at September 30, 2009 (September 30, 2008: 50,010,155) were not included in the computation of loss per share because their effect was anti-dilutive.

g) Stock-based Compensation -

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

h) Mineral Properties -

The Company records its interest in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment of value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before the property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which reach the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

i) Financial Instruments -

The Company follows CICA Handbook Sections 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Disclosure and Presentation" (replaced effective September 1, 2008 by

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**2. Significant Accounting Policies: (Continued)**

i) Financial Instruments – (Continued)

sections 3862 and 3863), and Section 3865, “Hedges”. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company has made the following designations of its financial instruments: cash and cash equivalents and term deposits as held-for-trading; accounts receivable, deposit on investment and loan receivable as loans and receivables; investments as available for sale; and accounts payable and accrued liabilities as other financial liabilities. The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

The Company had no "other comprehensive income or loss" transactions during the year ended September 30, 2009 and 2008, and no opening or closing balances for accumulated other comprehensive income or loss.

j) Adoption of New Accounting Standards -

Effective October 1 2008, the Company adopted five new Canadian Institute of Chartered Accountants (“CICA”) accounting standard: (i) Handbook Section 1400, "Assessing Going Concern"; (ii) Handbook Section 1535 "Capital Disclosures"; (iii) Handbook Section 3064 "Goodwill and Intangible Assets"; and (iv) Handbook Section 1000 "Financial Statement Concept"; (v) Handbook Section 3862 “Financial Instruments – Disclosures” and Handbook Section 3863 “Financial Instruments – Presentation”.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

*Exhibit "D"*  
*Continued*

**2. Significant Accounting Policies: (Continued)**

j) Adoption of New Accounting Standards – (Continued)

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The main requirements of these new standards and the resulting financial statement impact are described below.

i) Assessing Going Concern

The Canadian Accountability Standards Board (“AcSB”) amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. The Company adopted this standard effective October 1, 2008. Refer to note 1 to these consolidated financial statements for disclosure relating to this section.

ii) Capital Disclosures

The AcSB issued CICA Handbook Section 1535 “Capital Disclosures” The section specifies the disclosure of (a) an entity’s objectives, policies, and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with capital requirements; and (d) if it has not complied, the consequences of such non-compliance. This new section relates to disclosures and will not have an impact on the Company’s financial results. This section applies to the Company’s interim and annual consolidated financial statements relating to fiscal years beginning on October 1, 2008. (See Note 13 for Capital Disclosures)

iii) Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. This section applies to the Company’s interim and annual consolidated financial statements relating to fiscal years beginning on or after October 1, 2008. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. There was no significant impact on the Company’s consolidated financial statements as a result of adopting this new standard.

iv) Financial Statement Concepts

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised section applies to the Company’s interim and annual consolidated financial statements relating to fiscal years beginning on or after October 1, 2008. There was no significant impact on the Company’s consolidated financial statements as a result of adopting this amendment.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**2. Significant Accounting Policies: (Continued)**

j) Adoption of New Accounting Standards – (Continued)

v) Financial Instruments

The Canadian Accounting Standards Board (“AcSB”) issued CICA Handbook Section 3862, Financial Instruments – Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extend of risks arising from financial instruments which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges. The Company adopted these standards effective October 1, 2008 and has included the required disclosure in note 14 of these consolidated financial statements.

The AcSB issued CICA Handbook Section 3863, Financial Instruments – Presentation, which is to enhance statements users’ understanding of the significance of financial instruments to an entity’s financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of elected interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The Company adopted these standards effective October 1, 2008 and the adoption of this policy has no significant impact to the Company’s consolidated financial statements.

k) New Accounting Pronouncements

i) International Financial Reporting Standards (“IFRS”)

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies and partnerships. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the 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 September 30, 2011. 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.

ii) Business Combinations, Consolidated Financial Statements and Non-controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**2. Significant Accounting Policies: (Continued)**

k) New Accounting Pronouncements – (Continued)

ii) Business Combinations, Consolidated Financial Statements and Non-controlling Interest

non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

l) Use of Estimates -

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results may differ from these estimates. Key areas where management has made complex or subjective judgments include, fair value of certain assets; accounting for amortization; mineral asset impairment assessments; environmental obligations; stock based compensation; income taxes and contingencies.

m) Foreign currency translation –

The temporal method is used for the translation of the foreign subsidiary. All monetary assets and liabilities which are denominated in Brazilian Real are translated to Canadian dollars at year end exchange rates. All non-monetary assets are translated at the rate of exchange in effect on the dates they occur. Revenues and expenses are translated at the rate of exchange in effect in the dates they occur. Gains or losses resulting from these translation adjustments are included in the determination of net loss.

All monetary assets and liabilities of the Company which are denominated in US dollars are translated to Canadian dollars at year end exchange rate. Resulting gains or losses are included in the determination of net loss.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

*Exhibit "D"*  
*Continued*

**2. Significant Accounting Policies: (Continued)**

n) Asset retirement obligations -

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at September 30, 2009 and 2008, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

**3. Equipment:**

	Cost	Accumulated Amortization	2009 Net	2008 Net
Automobiles	\$ 89,587	\$ 36,283	\$ <b>53,304</b>	\$ 76,149
Computer software	19,729	9,864	<b>9,865</b>	-
Furniture and Fixtures	1,819	182	<b>1,637</b>	-
	\$ 111,135	\$ 46,329	\$ <b>64,806</b>	\$ 76,149

**4. Loan Receivable**

The Company advanced a loan of \$330,000 to a non-related party with no interest bearing and no fixed maturity date. The loan is measured at amortized cost which approximates its carrying value due to its short term nature. This non-related party is a public company listed on TSX-V and is in process of raising equity through a private placement. The Company may use this loan to participate in this private placement.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**5. Mineral Properties and Deferred Development Costs:**

	Manitoba Property	Saskatchewan Property	Brazilian Property	Total
Balance as at September 30, 2007	\$ 375,223	-	-	\$ 375,223
Deferred Exploration Expenditures				
Assaying	7,817	-	-	7,817
Drilling & supplies, rig servicing, well logging & testing, and site prep & reclamation	3,237,131	-	-	3,237,131
Equipment rental and tool supplies	296,458	-	-	296,458
Geological consulting	424,549	-	-	424,549
Geophysical consulting and seismic	1,347,419	-	-	1,347,419
Property filings & performance deposits	58,922	-	-	58,922
Vehicle rental and hauling	21,695	-	-	21,695
	5,393,991	-	-	5,393,991
Property Expenditures				
Cash	1,314,188	68,274	-	1,382,462
Shares	390,000	-	-	390,000
	1,704,188	68,274	-	1,772,462
Balance as at September 30, 2008	7,473,402	68,274	-	7,541,676
Deferred Exploration Expenditures				
Assaying	13,856	46,032	-	59,888
Drilling & supplies, rig servicing, well logging & testing, and site prep & reclamation	3,276,148	3,921,718	-	7,197,866
Equipment rental and tool supplies	360,812	367,337	-	728,149
Geological consulting	187,655	315,475	218,918	722,048
Geophysical consulting and seismic	184,462	432,224	-	616,686
Property filings and performance deposits	33,342	3,300	-	36,642
Vehicle rental and hauling	208,724	271,928	-	480,652
	4,264,999	5,358,014	218,918	9,841,931
Property Expenditures				
Cash	321,861	518,132	-	839,993
Shares	135,000	-	-	135,000
	456,861	518,132	-	974,993
Balance as at September 30, 2009	\$ 12,195,262	\$ 5,944,420	\$ 218,918	\$ 18,358,600

The September 30, 2007 opening balance is comprised of cash payments related to acquisition expenditures of \$291,616, the issuance of 150,000 common shares of the Company with a fair value of \$37,500 and geophysical consulting and seismic exploration expenses of \$46,107.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**5. Mineral Properties and Deferred Development Costs: (Continued)**

a) Manitoba Potash Property

By option agreement dated July 3, 2007 (the "Manitoba Option Agreement"), the Company was granted an exclusive option by an arms-length party, W.S. Ferreira Ltd. ("Ferreira"), to earn up to 95% interest in potash exploration permits Nos. QP-167 and QP-168 in an area located along the Manitoba Saskatchewan border in Southwest Manitoba, subject to a 2% net product royalty (the NPR") retained by the Ferreira. The terms of the Manitoba Option Agreement call for the Company to pay Ferreira in instalments a total of \$591,616.50 cash, issue Ferreira 1,950,000 common shares of the Company and carry out a total of \$2,520,000 in exploration expenditures, with all such requirements to be completed on or before June 27, 2012. The Company may purchase 1% of the NPR on both potash mining leases by paying Ferreira \$1,000,000 (leaving Ferreira with a 1% NPR). During the year 2009, the Company did not renew QP-167 and concentrate on properties covered under QP-168 and QP-172 (See Note 10(ii)).

During October and November, 2007, the Company, in partnership with Ferreira, applied for an additional 150,303 hectares in southern Manitoba, through potash exploration permit No. QP-170 and QP-171. These properties were subject to addendums to the Manitoba Option Agreement dated October 22, 2007. The terms of the agreement call for the Company, in instalments, to issue Ferreira a total of 300,000 common shares of the Company on or before June 27, 2012. Ferreira retains a 2% NPR on the properties covered by the Manitoba Option Agreement. The Company may purchase 1% of the NPR on both potash mining leases by paying Ferreira CAD\$1,000,000 (leaving Ferreira with a 1% NPR).

On February 1, 2008, the Company filed applications for two potash exploration licenses in the Pipestone district of the province of Manitoba covering an area of approximately 74,591 hectares at a total cost of \$311,725. Additionally, during 2009, the Company applied for 50,593 additional hectares through potash exploration application No. QP-172 in the area south of potash exploration permit No. QP-168.

On July 17, 2008, the Company announced that it had received its first potash well licenses from the Manitoba department of Science, Technology, Energy and Mines (STEM) and that it had mobilized a drill rig supplied by Ensign Drilling Partnership to the Company's Russell-Miniota Exploration Permits in Manitoba.

On September 9, 2008, the Company was granted potash exploration permit No. QP-172 by STEM. The permit, covering 49,000 hectares is located immediately south, and is contiguous with the Company's Russell-Miniota property, and lies approx. 40km southeast of Saskatchewan Potash Corp.'s Rocanville Potash Mine. The permit is valid for a 5 year term renewed annually subject to the payment of annual rental fees, and minimum annual exploration commitments.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

*Exhibit "D"*  
*Continued*

**5. Mineral Properties and Deferred Development Costs: (Continued)**

a) Manitoba Potash Property – (Continued)

Pursuant to the Manitoba Option Agreement and earlier addendum to the Manitoba Option Agreement dated October 22, 2007 with Ferriera, the Company must issue, or has issued, the following shares:

i) Issue the following shares:

<u>Date</u>	<u>Number of shares</u>
Upon signing of option agreement (July 18, 2007)	150,000 (issued)
Upon signing of the addendum (October 22, 2007)	50,000 (issued)
On or before 27 June 2008	250,000 (issued)
On or before 27 June 2009	300,000 (issued)
On or before 27 June 2010	400,000
On or before 27 June 2011	500,000
On or before 27 June 2012	600,000
	2,250,000

ii) Incur the following exploration expenditures:

<u>Date</u>	<u>Property Permit</u>	<u>Exploration Expenditures</u>
On or before 27 June 2008	A	\$ 210,000 (incurred)
On or before 27 June 2008	B	210,000 (incurred)
On or before 27 June 2009	A	210,000 (incurred)
On or before 27 June 2009	B	210,000 (incurred)
On or before 27 June 2010	A	210,000
On or before 27 June 2010	B	210,000
On or before 27 June 2011	A	210,000
On or before 27 June 2011	B	210,000
On or before 27 June 2012	A	210,000
On or before 27 June 2012	B	210,000
On or before 27 June 2013	A	210,000
On or before 27 June 2013	B	210,000
		\$ 2,520,000

iii) Make the following cash payments:

<u>Date</u>	<u>Amount</u>
Upon signing of option agreement (July 18, 2007)	\$ 291,617 (paid)
On or before 27 June 2008	50,000 (paid)
On or before 27 June 2009	50,000 (paid)
On or before 27 June 2010	50,000
On or before 27 June 2011	50,000
On or before 27 June 2012	100,000
	\$ 591,617

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
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**5. Mineral Properties and Deferred Development Costs: (Continued)**

a) Manitoba Potash Property – (Continued)

**Manitoba Option Agreement General**

If either or both property permits covered by the Manitoba Option Agreement are extended beyond the fifth anniversary of the original agreement dated July 3, 2007, the Company will incur \$210,000 of expenditures on the property underlying each extended potash exploration permit as applicable, for each additional year, for up to three additional years, by the sixth, seventh, and eighth anniversaries of the original agreement.

**Second Option**

The Company may earn a further 25% interest in either or both of the permits by making application for and receiving a potash mining lease for either or both permits and either paying Ferriera CAD \$1,000,000 or issuing \$1,000,000 shares in the Company to Ferriera, for each potash mining lease, at the discretion of Ferriera, on or before the eighth anniversary of the original agreement.

**Net Productivity Royalty**

Upon the commencement of commercial production, the Company shall pay to Ferriera the net product royalty ("NPR") of 2% on the terms and conditions set out by the original agreement. The Company may purchase 1% of the NPR on both potash mining leases by paying Ferriera CAD \$1,000,000, leaving Ferriera with 1% NPR.

**Surrender of Permits**

The Company may determine to surrender either potash exploration permits if in the opinion of the Company continued exploration is not merited, in which case, the Company will not be required to incur any further expenditures as indicated in Note 5(a) on that portion of the property underlying the surrendered potash exploration permit.

If either or both permits are surrendered in good standing to the Manitoba regulatory authorities and a refund of the \$100,000 deposit is returned to Ferriera as a result of the surrender, such refund on the surrender of the first potash exploration permit will be paid to Ferriera and such refund on the surrender of the second potash exploration permit will be paid to the Company.

b) Saskatchewan Potash Property

On December 11, 2007, the Company filed three potash exploration license applications in the Province of Saskatchewan. Application file numbers WP1-KP407, WP2-KP408 and WP3-KP409 cover an area of 253,440 acres in size. On May 27, 2008, the Company was granted these three potash permits in south-eastern Saskatchewan. The three contiguous permits, KP-407, KP-408, and KP-409, granted by the Saskatchewan Ministry of Energy and Resources comprise a total of 123,948 acres. Each of the permits grants Western the exclusive rights to explore and prospect for subsurface minerals for a term of five years. During the year 2009, the Company did not renew permit KP-407 and concentrate on properties covered under permits KP-408 and KP-409.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**5. Mineral Properties and Deferred Development Costs: (Continued)**

c) Brazilian Property

On July 28, 2008 the Company signed an agreement with Amarillo Gold Corporation ("Amarillo"), a company related by two common directors, to acquire Potash and Bauxite mineral rights in Brazil. As per terms of the agreement, Amarillo, through its Brazilian subsidiary, will acquire, on behalf of the Company, exploration rights for potash and bauxite over acreage in the Brazilian Amazon Basin, then vending these exploration rights into a new Western Potash Brazilian subsidiary(s) ("WPXA"). Under the terms of the agreement the Company will pay for all direct and indirect expenses incurred by Amarillo in connection with the acquisition of the potash and bauxite exploration rights in Brazil. Amarillo will receive a cash payment equivalent to 15% of the cash outlays expended by Amarillo in acquiring said exploration rights. Amarillo will return the deposit to the Company minus expenses already incurred should the agreement be terminated. During the year 2009, the Company paid \$150,000 to Amarillo for assisting the Company in applying for potash and bauxite exploration rights in Amazon Basin. This amount has been capitalized as part of Brazilian Property as geological consulting fees. During the year, Amarillo also returned the deposit in investment of \$1,500,000 to the Company after deducting direct expenses in applying for these permits and after converting the Brazilian Real into Canadian funds. Due to the recent depreciation of Brazilian Real, the Company incurred a foreign exchange loss of \$296,070

**6. Investments**

	2009	2008
Australian Investment (a)	<b>\$ 2,100,000</b>	\$ 2,100,000
Mexican Investment (b)	<b>750,000</b>	-
	<b>\$ 2,850,000</b>	\$ 2,100,000

Each investment as an Available for Sale financial asset does not have a quoted price in an active market; each investment is measured at cost which equals fair value at initial recognition.

**a) Australian Investment**

On July 14, 2008 the Company participated in a private placement of a private junior potash exploration company, AusPotash Corporation, which owned several potash concessions in Australia. The Company acquired 1,000,000 units at \$0.10 per unit, with each unit made up of one share and one full warrant, each warrant exercisable at \$0.20 per share for a period of one year expiring July 14, 2009. On July 23, 2008 the Company also acquired an additional 6,666,667 units at \$0.30 per unit, with each unit made up of one share and one half ( 1/2 ) of one warrant, each full warrant exercisable at \$0.50 per share for a period of one year expiring July 23, 2009. On September 29, 2009, Sirius Exploration PLC, a company listed on the London Stock Exchange AIM market, announced the acquisition of a majority interest (63.5%) in AusPotash Corporation, which acquisition included the tendering by the Company of all of its shares in AusPotash Corporation. Subsequent to fiscal year end, the Company received 15,333,334 shares of Sirius Exploration PLC. No warrants of AusPotash Corporation were exercised by the Company.

**b) Mexican Investment**

On April 2, 2009, the Company subscribed in a private placement for shares of La Camera Mining Inc. La Camera Mining Inc. is an unlisted junior mining exploration company focused on exploring mineral properties adjacent to Goldcorp Inc.'s Los Filos mine in the Guerrero gold belt in Mexico. Discovery Harbour subscribed for a total of 1,875,000 Common Shares for an aggregate subscription price of \$750,000. (\$0.40 per Common Share). The Subscription Agreement contains a provision for one Penalty Warrant to be issued for each Common Share subscribed for.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

*Exhibit "D"*  
*Continued*

**6. Investments – (Continued)**

**b) Mexican Investment – (Continued)**

As of August 5th, 2009, the Penalty Warrants were convertible into Common Shares resulting in an additional 1,875,000 shares due to be issued to the Company for no further consideration, as per the terms of the Subscription Agreement.

**7. Share Capital:**

a) Authorized -

Unlimited Common shares without par value.

b) Issued and Fully Paid -

	<b>Number</b>	<b>Amount</b>
Balance September 30, 2007	25,548,573	\$ 767,359
Non flow-through private placement @ \$0.25 (i)	16,528,000	4,132,000
Non flow-through private placement @ \$0.50 (ii (a,b,c))	28,211,000	14,105,500
Flow-through private placement @ \$0.60 (iii (a,b))	1,460,000	876,000
Initial public offering @ \$1.10 (iv)	20,912,750	23,004,025
Shares issued per option agreement (Note 5)	300,000	390,000
Broker shares @ \$0.25 (i (a))	222,800	55,700
Broker shares @ \$0.50 (ii (c))	140,000	70,000
Exercise of broker warrants @ \$0.50 per share (c)	78,550	39,275
Exercise of general warrants @ \$0.75 per share (c)	5,065,200	3,798,900
Exercise of compensation options @ \$1.10 per share (iv)	654,660	720,126
Fair value of broker warrants (i,ii,iii)	-	(544,541)
Fair value of compensation options granted on IPO (iv)	-	(793,837)
Fair value of broker warrants transferred from contributed surplus (Note 8)	-	24,956
Fair value of compensation options transferred from contributed surplus (Note 8)	-	414,176
Renunciation of Flow-through tax benefit to shareholders (iii)	-	(271,560)
Share issuance and IPO costs	-	(2,732,958)
Balance September 30, 2008	99,121,533	45,055,121
Flow-through private placement @ \$0.33	8,514,850	2,809,900
Renunciation of Flow-through tax benefit to shareholders (v)	-	(842,970)
Share issuance costs (v)	-	(168,593)
Share purchase buy back (vi)	(4,900,000)	(2,171,315)
Shares issued per option agreement (Note 5)	300,000	135,000
Balance September 30, 2009	103,036,383	\$ 44,817,143

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**7. Share Capital: (Continued)**

i) Non flow-through private placement @ \$0.25 -

On October 15, 2007, pursuant to a non-brokered private placement, the Company issued 16,528,000 units at a price of \$0.25 per unit for cash proceeds of \$4,132,000. Each unit was comprised of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company for \$0.75. The warrants have a two year period with an expiry date of October 15, 2009. The Company paid cash of \$4,800 and issued 222,800 brokers' shares and 414,800 brokers' warrants in finders' fees related to this placement. Fair value of these broker warrants is determined to be \$21,444 using the Black Scholes option pricing model.

Out of the 16,528,000 units issued on October 15, 2007, a total of 14,128,000 subscriptions were closed prior to September 30, 2007 and the subscribed amount of \$3,532,000 was disclosed as shares subscribed as at September 30, 2007.

ii) Non flow-through private placement @ \$0.50 -

- a) On December 21, 2007, pursuant to a private placement, the Company issued 6,500,000 units at a price of \$0.50 per unit for cash proceeds of \$3,250,000. Each unit was comprised of one common share and one share purchase warrant entitling the holder to purchase one common share of the company for \$0.75. The warrants have an expiry date of October 15, 2009. The Company paid \$17,500 in finders' fees related to this placement.

As part of the finder's fees, the Company also issued 50,000 broker warrants at a price of \$0.50 exercisable at any time on or before October 15, 2009. Fair value of these brokers' warrants is determined to be \$15,885 using the Black Scholes option pricing model.

- b) On December 21, 2007, pursuant to a private placement, the Company issued 12,350,000 subscription receipts at a price of \$0.50 per Subscription Receipt for a total of a \$6,175,000. Each Subscription Receipt was exchanged on May 6, 2008 (Date of Initial Public Offering) for no additional consideration for one common share and one share purchase warrant of the Company with each warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.75 per share at any time on or before October 15, 2009.

The Company paid \$432,250 in finders' fees related to this placement. As part of the finders' fees, the Company also issued 1,235,000 brokers' warrants at a price of \$0.50 exercisable at any time on or before October 15, 2009. Fair value of these Broker Warrants is determined to be \$392,369 using the Black Scholes option pricing model.

- c) On January 14, 2008, pursuant to a private placement, the Company issued 9,361,000 units at a price of \$0.50 per unit for cash proceeds of \$4,680,500. Each unit was comprised of one common share and one share purchase warrant entitling the holder to purchase one common share of the company for \$0.75. The warrants have an expiry date of October 15, 2009.

As part of the finders' fees, the Company issued 140,000 brokers' shares at a fair value of \$0.50 per share and also issued 250,000 brokers' warrants at a price of \$0.50 exercisable at any time on or before October 15, 2009. Fair value of these brokers' warrants is determined to be \$75,130 using the Black Scholes option pricing model.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
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**7. Share Capital: (Continued)**

iii) Flow-through private placement @ \$0.60 -

- a) On December 21, 2007, pursuant to a private placement, the Company issued 1,250,000 flow-through shares at a price of \$0.60 per share for cash proceeds of \$750,000. The Company paid \$52,500 in finders' fees related to this placement. As part of the finders' fees, the Company also issued 125,000 brokers' warrants at a price of \$0.50 exercisable at any time on or before October 15, 2009. Fair value of the brokers' warrants is determined to be \$39,713 using the Black Scholes option pricing model.
- b) On March 1, 2008, pursuant to a private placement, the Company issued 210,000 flow-through shares at a price of \$0.60 per share for cash proceeds of \$126,000.
- c) The Company has recorded a future income tax recovery of \$271,560 as a result of the exploration expenditures being spent and renounced to shareholders during 2008.

iv) Initial Public Offering (IPO) @ \$1.10 -

On May 6, 2008 the Company completed its initial public offering (IPO); as part of the offering the Company issued 1,254,765 compensation options at a price of \$1.10 exercisable at any time on or before November 5 and 15, 2009. Fair value of these compensation options is determined to be \$793,837 using the Black Scholes option pricing model using the current assumptions of risk free interest rates of 3.25%, expected life of 1.5 years, expected volatility of 127.4% and a dividend rate of 0%. As of September 30, 2009, 654,660 of these compensation options have been exercised.

v) Flow-through private placement @ \$0.33 -

On December 31, 2008, pursuant to a private placement, the Company issued 8,514,850 flow-through shares at a price of \$0.33 per share for cash proceeds of \$2,809,900. The Company paid \$168,593 in finders' fees related to this placement.

The Company has recorded a future income tax recovery of \$842,970 as a result of the exploration expenditures being renounced to shareholders during 2008.

vi) Normal Course Issue Bid -

On March 20, 2009, the Company completed its Normal Course Issuer Bid and in accordance with the requirements of the TSX Venture Exchange, cancelled 4,900,000 shares which had been purchased between during the period October 20, 2008 to February 14, 2009.

The cost to buy back the cancelled shares was less than their assigned value and the difference of \$773,557 has been credited to contributed surplus (See Note 8).

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

*Exhibit "D"*  
*Continued*

**7. Share Capital: (Continued)**

c) Share Purchase Warrants -

- (i) As at September 30, 2009, the Company had warrants outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price per Share	Expiry Date
2,181,450	\$ 0.50	October 15, 2009
40,228,600	0.75	October 15, 2009
42,410 050		

The Company is seeking TSX Venture approval to extend the term of certain share purchase warrants from October 15, 2009 to April 15, 2011 (See Note 10 (i)).

- (ii) A Summary of the Company's issued and outstanding share purchase warrants as at September 30, 2009 and September 30, 2008 and changes during those years is presented below:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, September 30, 2007	-	\$ -
Granted	47,553,800	0.74
Exercised	(5,143,750)	(0.75)
Expired	-	-
Balance, September 30, 2008 & 2009	42,410,050	\$ 0.74

d) Stock Based Compensation Plan -

- (i) As at September 30, 2009, the Company had compensation and stock options outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price per Share	Expiry Date
436,440	\$ 1.10	November 5, 2009
163,665	1.10	November 15, 2009
7,000,000	0.50	May 6, 2013
805,000	0.50	May 19, 2014
8,405,105		

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

*Exhibit "D"*  
*Continued*

**7. Share Capital: (Continued)**

d) Stock Based Compensation Plan – (Continued)

(ii) A summary of the status of the Company's stock options as at September 30, 2009 and September 30, 2008, and changes during those years is presented below:

	<b>Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
Balance, September 30, 2007	-	\$ -
Granted	8,254,765	1.10
Exercised	(654,660)	(1.10)
Expired	-	-
Balance September 30, 2008	7,600,105	1.10
Granted	805,000	0.50
Balance September 30, 2009	8,405,105	\$ 0.54

On May 6, 2008 the Company granted 7,000,000 stock options at an exercise price of \$1.10 to its directors and employees as part of its initial public offering (IPO), exercisable at any time on or before May 6, 2013. The fair value of these stock options is determined to be \$6,604,416 using the Black Scholes option pricing model using the current assumptions of risk free interest rates of 3.25%, expected life of 5 years, expected volatility of 127.4% and a dividend rate of 0%. On May 22, 2009 in accordance with a resolution passed at the company's most recent Annual General Meeting these stock options were re-priced to an exercise price of \$0.50. The additional fair value of amendment of these stock options is determined to be \$298,384 using the current assumptions of risk free interest rates of 2.25%, expected remaining life of 3 years 11.5 months, expected volatility of 126.7 and a dividend rate of 0%. As at September 30, 2009, none of these stock options have been exercised.

On May 6, 2008 the Company granted 1,254,765 compensation options at a price of \$1.10 as part of its initial public offering (IPO) exercisable at any time on or before November 5 and 15, 2009. The fair value of these compensation options is determined to be \$793,837 using the Black Scholes option pricing model using the current assumptions of risk free interest rates of 3.25%, expected life of 1.5 years, expected volatility of 127.4% and a dividend rate of 0%. As of September 30, 2009, 654,660 of these compensation options have been exercised.

On May 19, 2009 the Company granted 805,000 stock options at an exercise price or \$0.50 to its employees and consultants, exercisable at any time on or before May 19, 2014. The fair value of these stock options is determined to be \$320,602 using the Black Scholes option pricing model using the current assumptions of risk free interest rates of 2.25%, expected life of 5 years, expected volatility of 126.7% and a dividend rate of 0%. As at September 30, 2009, none of these stock options have been exercised.

e) Escrow shares -

As of September 30, 2009 the Company had 7,849,392 (2008: 9,811,740) shares held in escrow for various directors.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

*Exhibit "D"*  
*Continued*

**8. Contributed Surplus:**

Balance, September 30, 2007	\$ -
Fair value of brokers' warrants issued	544,541
Fair value of compensation options issued	793,837
Fair value of warrant issued to consultants for service rendered	142,706
Fair value of stock options issued to directors, consultants and employees	6,604,416
Compensation options exercised	(414,176)
Brokers' warrants exercised	(24,956)
<hr/>	
Balance, September 30, 2008	\$ 7,646,368
<hr/>	
Fair value of compensation options issued and amendment of terms	618,986
Repurchased shares (Note 7(b)(vi))	773,557
<hr/>	
Balance, September 30, 2009	\$ 9,038,911
<hr/> <hr/>	

The above fair value amounts were calculated using the Black Scholes option pricing model using the current assumptions of risk free interest rates of 2.25% to 3.25%, expected life of 1.75 to 5 years, expected volatility of 124.4% to 127.4% and a dividend rate of 0%.

**9. Related Party Transactions:**

The following amounts were paid and accrued to directors, companies in which directors are shareholders and an accounting firm in which a director is a principal. The Company also charged four companies related by common directors, rental income for sharing office it sub-leased at West Georgia, Vancouver (See Note 12).

	<b>2009</b>	<b>2008</b>
Management, consulting and accounting fees	\$ <b>968,037</b>	\$ 444,256
Geological consulting fees	<b>150,000</b>	-
Rent charged to related party companies	<b>108,922</b>	-
<hr/>		

Accounts payable balances at September 30, 2009 were outstanding to related companies in the amount of \$118,235 (September 30, 2008: \$72,197).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties (See also Note 5(c) & Note 12).

**10. Subsequent Events:**

- i) On October 5 2009, the Company received regulatory approval to extend the expiration date of its \$0.75 warrants from October 15, 2009 to April 15, 2011 (See Note 7(c)(i)).

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
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**10. Subsequent Events: - (Continued)**

- ii) On November 1, 2009, the Company amended its Manitoba Option Agreement with W.S. Ferreira Ltd. ("Ferreira") (See Note 5). Highlights include:
- Deferral of \$200,000 property option cash payments to June 27, 2012
  - Deferral of 1,350,000 property option share issuance to June 27, 2012
  - No additional exploration expenditures are required on the Manitoba Property to allow the exercise of the options by Ferreira
  - The reduction from 150,000 additional shares to be issued by June 27, 2012 to nil.
- iii) On January 1, 2010 to Company entered into a contractual agreement with Lockwood Financial Ltd. ("Lockwood") whereby the Company has agreed to pay a monthly consulting fee of \$10,000 per month for an initial term of six months (period ending June 30, 2010). In addition the Company agrees to grant 1,000,000 incentive stock options to Lockwood. TSX Venture approve for this contract was received on January 15, 2010.
- iv) 2,181,450 warrants at an exercise price of \$0.50 were expired, unexercised. 600,105 stock options at an exercise price of \$1.10 were expired, unexercised.

**11. Income Taxes:**

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

	<b>2009</b>	2008
Statutory tax rate	<b>30.00 %</b>	31.00 %
(Loss) for the period	<b>\$ (3,453,849)</b>	\$ (8,030,459)
Income tax expense (recovery)	<b>(1,036,155)</b>	(2,489,442)
Net adjustments for amortization, deductible and non-deductible items	<b>(196,419)</b>	1,844,992
Expected income taxes recovery	<b>(1,232,574)</b>	(644,451)
Effect of tax rate reductions	<b>34,835</b>	2,523
Valuation allowance for future assets	<b>354,769</b>	370,367
Future income taxes recovery	<b>\$ (842,970)</b>	\$ (271,560)

On December 31, 2008, the Company issued 8,514,850 common shares on a flow-through basis for total gross proceeds of \$2,809,900. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. The expenditure renounced December 31, 2008 was reasonably assured as spent and recognized in 2009 and future income taxes of \$842,970 on the exploration expenditures renounced to shareholders were applied against share capital.

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008 and 2009**

**11. Income Taxes: (Continued)**

The significant components of the Company's future income tax assets and liabilities are as follows:

	2009	2008
Non-capital losses carried forward	\$ 1,880,266	\$ 669,282
Cumulative exploration and development expenditures	(1,087,160)	(271,560)
Others	546,510	682,164
Valuation allowance for future tax assets	(1,339,616)	(1,079,886)
<b>Total Future Tax Assets</b>	<b>\$ -</b>	<b>\$ -</b>

At September 30, 2009, the Company has non-capital losses carried forward for Canadian income tax purposes totalling approximately \$6,267,554 (2008: 2,158,974). These losses expire as follows:

September 30, 2027	80,101
September 30, 2028	2,078,873
September 30, 2029	4,108,580

At September 30, 2009, management considers that it is not "more likely than not" that these losses will be utilized and accordingly a full valuation allowance has been recognized against these tax losses.

In addition, the Company has approximately \$14,734,734 of exploration and development expenditures that are available to reduce taxable income of future years.

**12. Commitments and Contractual Agreements**

- a) On August 1st, 2007 as amended June 1, 2008, the Company entered into a 2 years executive consulting agreement with J P Varas Management and Geological Corp., a company controlled by an Officer of the Company. Under the agreement, the Company shall pay a monthly fee of \$17,000 per month plus some other reasonable allowances. The agreement shall automatically renew for one year. If the agreement is terminated by the Company without cause, it is required to pay between 12 months to 24 months of monthly fees plus a certain amount calculated based on bonus paid within a 12 month period at the time of termination (See also Note 9).
- b) On October 29, 2008, the Company agreed to sublease a premises located at 701 West Georgia Street, Vancouver BC, commencing January 1, 2009 and expiring June 29, 2014. The premises consists of 4,552 square feet of rentable area and has a basic rental fee of \$32.00 per square feet per annum plus GST. Additional rent for the Company's proportionate share of building property taxes and operating expenses are estimated to be \$19.43 per square foot per annum plus GST for 2008. The minimum lease payments for the fiscal years ended September 30 are as follows (See Note 9):

2010	245,808
2011	245,808
2012	245,808
2013	245,808
2014	184,356

**WESTERN POTASH CORP.**  
**Notes to Consolidated Financial Statements**  
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**12. Commitments and Contractual Agreements – (Continued)**

- c) The Company entered into an option agreement dated April 2, 2009 with Bronco Creek Exploration Inc. ("Bronco creek") to purchase 100% undivided interest in the mining property in State of Arizona known as Courtland- East Property ("Property"). The option agreement requires the Company to commit a \$800,000 expenditures program over three years and a minimum of \$400,000 expenditures per year after the 3<sup>rd</sup> year. The agreement also requires the Company to pay advanced royalty payments of cash \$25,000 from year 1 to year 4 and \$50,000 from year 5 to year 8 and \$50,000 beyond 8<sup>th</sup> year. A production royalty in the form of a 2.5% Net Smelter Return ("NSR") will be payable to Bronco Creek on all mineral production from the Property. The Company may buy back up to 1.5% of the NSR using a certain formula from the agreement.

During the current year, the Company spent \$67,035 exploration expenditures on the Property and determined that it will no longer continue with the option agreement. The Company has formally sent a termination letter to Bronco Creek on January 19, 2010 to terminate the option agreement. The entire \$67,035 expenditures were expensed in current year as exploration expenses and are included as a charge against operations.

**13. 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 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, acquire or dispose of assets. As at September 30, 2009, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements

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. The Company expect its current capital resources will be sufficient to meet its future operating requirements to complete its Phase II drilling program at the Milestone Property but will require further capital financing to complete its Pre-feasibility study at its Milestone Property.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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*Exhibit "D"*  
*Continued*

**14. Risk Factors**

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

**Credit risk**

Credit risk is the loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is attributable to GST receivable from Canadian Federal government, and liquid investments in bankers' acceptance and term deposits with a Canadian Schedule 1 bank with a \$20 million counterparty credit limit. Management believes that the credit risk concentration with respect to financial instruments above is remote.

**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, 2009, the Company had a cash and cash equivalent balance of \$15,871,119 to settle current liabilities of \$952,675. All of the Company's significant liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available bank lines, results from new wells drilled, 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.

**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.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high yield term deposits and bankers' acceptance. The Company regularly monitors its cash management policy. Interest rate risk is remote as the interest rates on the Company's short-term investment have fixed interest rates.

b) Foreign currency risk

The Company's functional currency for the parent company is the Canadian dollar and major expenditures are transacted in Canadian dollars. However, the Company is subject to foreign exchange risk for transactions in its Brazilian subsidiary, as at September 30, 2009.

c) Commodity price risk

The Company is exposed to price risk with respect to commodity. Commodity price risk is defined as the potential impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of potash, individual equity

**WESTERN POTASH CORP.**  
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*Exhibit "D"*  
*Continued*

**14. Risk Factors: - (Continued)**

**Market risk – (Continued)**

c) Commodity price risk – (Continued)

movements, and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of potash. Potash prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of potash may be produced in the future, a profitable market will exist for them. A decline in the market price of potash may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's value.

The Company is not a potash producer as of September 30, 2009; therefore, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

d) Sensitivity analysis –

The Company's financial instruments include cash and cash equivalents, term deposits, accounts receivable, loan receivable, investments and accounts payable and accrued liabilities.

As of September 30, 2009, other than investments which are recorded at cost, both the carrying value and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to term deposits that are denominated in Brazilian Real. Sensitivity to a plus or minus 5% change in the foreign exchange rates would affect net loss by approximately \$8,100.

**15. Segmented Information**

The Company conducts all of its operations in one industry, segment being the acquisition, exploration and development of mineral properties. The geographical division of the Company's total assets are as follows:

Assets	2009	2008
Canada	\$ 43,079,124	\$ 45,680,184
Brazil	162,674	-
	\$ 43,241,798	\$ 45,680,184

**16. Comparative figures**

Certain comparative figures have been reclassified to conform to the September 30, 2009 financial statement presentation.