



Vancouver, BC

**INTERM COMSOLIDATED FINANCIAL STATEMENTS**

For the three months ended  
December 31, 2010 and 2009

**WESTERN POTASH CORP.**

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## **NOTICE OF NO REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102 - Continuous Disclosure Obligation, Part 4, Subsection 4.3(a), if an auditor has not performed a review of the interim consolidated financial statements, the statements must be accompanied by a notice stating that the interim consolidated financial statements have not been reviewed by an auditor.

Western Potash Corp's independent auditor, A Chan and Company Chartered Accountants, has not performed a review of these interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

The accompanying unaudited interim consolidated financial statements of Western Potash Corp's have been prepared by, and are the responsibility of, Western Potash Corp.'s management.

**WESTERN POTASH CORP.**  
**Interim Consolidated Balance Sheets**  
**(Unaudited - Prepared by Management)**

	<b>December 31, 2010 Unaudited</b>	September 30, 2010 Audited
<b>Assets</b>		
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Current:		
Cash and cash equivalents	\$ 23,135,500	\$ 2,209,311
Term deposit	41,793	21,793
Account and other receivables	2,032,084	1,759,766
Loan receivable (Note 8)	3,630,242	3,475,517
Prepaid expenses	11,272	11,272
	<hr/>	
	<b>28,850,891</b>	7,477,659
Deposit	113,185	113,185
Equipment (Note 5)	140,372	129,128
Mineral properties and deferred exploration costs (Note 6)	31,806,282	31,036,031
Investments (Note 7)	160,463	839,475
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	<b>\$ 61,071,193</b>	\$ 39,595,478
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<b>Liabilities</b>		
<hr/>		
Current:		
Accounts payable and accrued liabilities	\$ 225,547	\$ 607,461
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<b>Shareholders' Equity</b>		
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Share Capital (Note 9 )	70,144,372	45,827,012
Contributed Surplus (Note 10)	17,866,842	16,861,563
Deficit, per Exhibit "B"	27,165,568	23,700,558
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	<b>60,845,646</b>	38,988,017
Commitments (Note 14)		
Subsequent Events (Note 15)		
	<hr/>	
	<b>\$ 61,071,193</b>	\$ 39,595,478
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Approved by the Directors:

          "J. Patricio Varas"          

          "Troy Nikolai"          

- see accompanying notes -

**WESTERN POTASH CORP.**  
**Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit**  
**(Unaudited - Prepared by Management)**

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
<b>Expenses:</b>		
Accounting fees	\$ 39,255	\$ 15,948
Amortization	9,216	6,546
Bank charges and interest	251	3,777
Consulting fees	651,938	495,805
Filing and regulatory fees	73,961	5,007
Foreign exchange loss	-	12,709
Investor relations	147,826	95,956
Legal fees	38,849	27,407
Office and miscellaneous	43,506	30,047
Rent	65,291	28,445
Salaries, wages and benefits	44,136	60,357
Stock based compensation (Note 9(d)(ii))	2,235,579	-
Telephone	7,228	7,397
Travel	130,850	89,221
<b>Loss before other item</b>	<b>3,487,886</b>	<b>878,622</b>
<b>Other Item:</b>		
Interest income	71,753	11,168
Gain (Loss) on disposal of investment	(48,877)	31,445
<b>Net Loss and Comprehensive Loss</b>	<b>3,465,010</b>	<b>836,009</b>
<b>Deficit, beginning</b>	<b>23,700,558</b>	<b>11,566,931</b>
<b>Deficit, ending, to Exhibit "A"</b>	<b>\$ 27,165,568</b>	<b>\$ 12,402,940</b>
<b>Weighted Loss per share</b>		
- basic and diluted	\$ 0.032	\$ (0.008)
<b>Weighted Average Number of Shares Outstanding</b>	<b>108,658,816.000</b>	<b>103,653,883.000</b>

- see accompanying notes -

**WESTERN POTASH CORP.**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited - Prepared by Management)**

	<b>Three Months Ended December 31, 2010</b>	Three Months Ended December 31, 2009
<b>Operating Activities from Continuing Operations:</b>		
Net Loss, per Exhibit "B"	\$ (3,465,010)	\$ (836,009)
Adjustment for -		
Amortization	9,216	6,546
(Gain) /Loss on disposal of investment		
Stock based compensation	48,877	(31,445)
Changes in non-cash working capital -		
(Increase) Decrease in accounts and GST receivable	(272,318)	(174,356)
(Increase) Decrease in prepaid expenses	-	3,422
(Increase) Decrease in deposits	-	(19,757)
Increase (Decrease) in accounts payable and accrued liabilities	(381,914)	(209,345)
<b>Cash flows used in operating activities</b>	<b>(4,061,149)</b>	<b>(1,260,944)</b>
<b>Investing Activities:</b>		
Acquisition of equipment	(20,460)	-
Acquisition of mineral property and deferred development costs	(770,251)	(2,430,381)
Loan receivable	(154,725)	(333,000)
Acquisition of investments	-	(188,000)
Term deposits	(20,000)	461,409
Proceeds from disposal of investment	630,135	289,459
<b>Cash flows used in investing activities</b>	<b>(335,301)</b>	<b>(2,200,513)</b>
<b>Financing Activities:</b>		
Issuance of share capital, subscriptions receipts and shares subscribed	25,322,639	617,500
<b>Cash flows from financing activities</b>	<b>25,322,639</b>	<b>617,500</b>
<b>Net Increase in Cash and cash equivalents</b>	<b>20,926,189</b>	<b>(2,843,957)</b>
Cash and cash equivalents, beginning	2,209,311	15,871,119
<b>Cash and cash equivalents, ending</b>	<b>\$ 23,135,500</b>	<b>\$ 13,027,162</b>

- see accompanying notes -

**WESTERN POTASH CORP.**  
**Notes to Interim Consolidated Financial Statements**  
**December 31, 2010**  
**(Unaudited - Prepared by Management)**

**1. Nature of Business and Going Concern Assumption:**

Western Potash Corp. ("the Company") was incorporated on April 5, 2007 under the British Columbia Business Corporations Act using the name 787604 BC Ltd. The Company changed its name from 787604 BC Ltd. to Western Potash Corp. on July 10, 2007. The Company's principal business activities include the acquisition, evaluation, exploration and development 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. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2010, the Company had not yet achieved profitable operations, had an accumulated deficit of 27,251,226 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its ongoing levels of corporate overhead, keep its property in good standing and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

**2. 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: Potassio Ocidental M Ltda (a company incorporated in Brazil) and WPX Land Holdings Corp. (a company incorporated in the province of Saskatchewan). All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation.

These consolidated financial statements also include 100% of the operations of Discovery Harbour Resources Corp. ("Discovery Harbour") for the period from October 1, 2009 to January 28, 2010. As of January 28, 2010, Discovery Harbour's financial statements are no longer consolidated as a result of the issuance of shares to outside interests decreasing the Company's ownership percentage to 10.46%. (Note 7(b))

WESTERN POTASH CORP.  
Notes to Interim Consolidated Financial Statements  
December 31, 2010  
(Unaudited - Prepared by Management)

2. Significant Accounting Policies: (Continued)

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%

Leasehold improvements are being amortization on a straight line basis over the term of the lease.

For the year of acquisition, the rate is one half of that shown above with the exception of leasehold improvements. 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 loss and deficit.

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 period 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.

**WESTERN POTASH CORP.**  
**Notes to Interim Consolidated Financial Statements**  
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**(Unaudited - Prepared by Management)**

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

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 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 periods presented.

For the periods ended December 31, 2010 and December 31, 2009 potentially dilutive common shares relating to options and warrants outstanding totaling 56,512,460 at December 31, 2010 (December 31, 2009: 48,033,600) 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.

WESTERN POTASH CORP.  
Notes to Interim Consolidated Financial Statements  
December 31, 2010  
(Unaudited - Prepared by Management)

2. Significant Accounting Policies: (Continued)

i) Financial Instruments -

The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments Recognition and Measurement", Section 3862, "Financial Instruments Disclosures", Section 3863, "Financial Instruments Presentation" and Section 3865, "Hedges". The following is a summary of the Company's classification of financial assets and liabilities:

Cash and cash equivalents	Held-for-trading
Account and other receivables	Loans and receivables
Loan receivable	Loans and receivables
Term deposit and investments	Available-for-sale and Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities

Financial assets classified as held for trading are measured at fair value with changes in fair values recognized in net earnings. Financial assets classified as available-for-sale are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is sold or impaired. The fair value of substantially all investments is determined by quoted market prices, except for those investments that do not have a quoted market price in an active market, which are measured at cost. Loans and receivables and other financial liabilities are measured at amortized cost.

In June 2009, the CICA amended the CICA Handbook Section 3862, "Financial Instruments - Disclosures", to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three-level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. These disclosures have been included in Note 13 of these financial statements.

j) 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.

k) 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 December 31, 2010 and September 30, 2010, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

**WESTERN POTASH CORP.**  
**Notes to Interim Consolidated Financial Statements**  
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**(Unaudited - Prepared by Management)**

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

l) 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. Refer to Note 1 to these consolidated financial statements for disclosure relating to this section.

m) 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. (See Note 12 for Capital Disclosures)

n) 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.

**4. New Accounting Pronouncements:**

a) 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.

**WESTERN POTASH CORP.**  
**Notes to Interim Consolidated Financial Statements**  
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**(Unaudited - Prepared by Management)**

**4. New Accounting Pronouncements: (Continued)**

b) 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 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.

**5. Equipment:**

		Cost	Accumulated Amortization	December 31 2010 Net	September 30 2010 Net
Automobiles	\$	89,587	\$ 55,073	\$ 34,514	\$ 37,313
Computer software		28,129	21,353	6,776	573
Furniture and fixtures		72,342	8,905	63,437	53,221
Leasehold improvements		47,526	11,881	35,645	38,021
	\$	237,584	\$ 97,212	\$ 140,372	\$ 129,128

**WESTERN POTASH CORP.**  
**Notes to Interim Consolidated Financial Statements**  
**December 31, 2010**  
**(Unaudited - Prepared by Management)**

**6. Mineral Properties and Deferred Exploration and Development Costs:**

	Manitoba Property	Saskatchewan Property	Brazilian Property	Total
Balance as at September 30, 2009	\$ 12,195,262	\$ 5,944,420	\$ 218,918	\$ 18,358,600
Deferred Exploration Expenditures				
Assaying	-	72,540	-	72,540
Drilling & supplies, rig servicing, well logging & testing, and site prep, reclamation & others	-	5,686,298	61,693	5,747,991
Equipment rental and tool supplies	-	247,831	-	247,831
Geological consulting	-	805,250	-	805,250
Geophysical consulting and seismic	-	3,317,235	-	3,317,235
Vehicle rental and hauling	-	326,552	-	326,552
Written off	-	-	(280,611)	(280,611)
	-	10,455,706	(218,918)	10,236,788
Acquisition Expenditures				
Cash	73,025	2,367,618	-	2,440,643
Shares	-	-	-	-
Balance as at September 30, 2010	\$ 12,268,287	\$ 18,767,744	\$ -	\$ 31,036,031
Deferred Exploration Expenditures				
Assaying	-	-	-	-
Drilling & supplies, rig servicing, well logging & testing, and site prep & reclamation	-	345,071	-	345,071
Equipment rental and tool supplies	-	70	-	70
Project consulting	-	164,348	-	164,348
Geophysical consulting and seismic	-	5,261	-	5,261
Vehicle rental and hauling	-	-	-	-
	-	514,750	-	514,750
Acquisition Expenditures				
Cash	-	255,501	-	255,501
Shares	-	-	-	-
Balance as at December 31, 2010	\$ 12,268,287	\$ 19,537,995	\$ -	\$ 31,806,282

**WESTERN POTASH CORP.**  
**Notes to Interim Consolidated Financial Statements**  
**December 31, 2010**  
**(Unaudited - Prepared by Management)**

**6. Mineral Properties and Deferred Exploration and 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 installments 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 .

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 installments, 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 approximately 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.

On November 1, 2009, the Company amended its Manitoba Option Agreement with Ferreira.

Highlights included:

- 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.

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**6. Mineral Properties and Deferred Exploration and 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 Ferreira, the Company must fulfil the following:

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 amended agreement (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 2012	1,350,000	
	2,100,000	

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)
		\$ 840,000	

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 2012	200,000	
	\$ 591,617	

**WESTERN POTASH CORP.**  
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**6. Mineral Properties and Deferred Exploration Costs: (Continued)**

a) Manitoba Potash Property (Continued)

**Option 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 Ferreira CAD \$1,000,000 or issuing \$1,000,000 shares in the Company to Ferreira, for each potash mining lease, at the discretion of Ferreira, on or before the eighth anniversary of the original agreement.

**Net Productivity Royalty**

Upon the commencement of commercial production, the Company shall pay to Ferreira 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 Ferreira CAD \$1,000,000, leaving Ferreira 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 6(a)(ii) 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 Ferreira as a result of the surrender, such refund on the surrender of the first potash exploration permit will be paid to Ferreira 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.

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**6. Mineral Properties and Deferred Exploration 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, would 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 would pay for all direct and indirect expenses incurred by Amarillo in connection with the acquisition of the potash and bauxite exploration rights in Brazil. During the year ended September 30, 2009, the Company paid \$150,000 to Amarillo for assisting the Company in applying for potash and bauxite exploration rights in Amazon Basin. 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. During the year ended September 30, 2010, the Company wrote off \$280,611 in deferred exploration expenditures.

**7. Investments:**

	<b>December 31 2010</b>	September 30 2010
Sirius Exploration PLC (a)	\$ -	\$ 679,012
Discovery Harbour Resources Corp. (b)	160,463	160,463
	<b>\$ 160,463</b>	<b>\$ 839,475</b>

a) Sirius Exploration PLC

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. During the year ended September 30, 2010, the Company received 15,333,334 shares of Sirius Exploration PLC. No warrants of AusPotash Corporation were exercised by the Company. Shares of Sirius Exploration PLC are held for trading financial assets which trade on the AIM market of the London Stock Exchange under the stock symbol SXX, and were measured at their quoted fair market value with unrealised loss of \$87,990 recognized in net loss for the year ended September 30, 2010. As at December 31, 2010, all remaining shares had been disposed.

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**7. Investments: (Continued)**

b) Investment in Discovery Harbour Resources Corp.

The Company has invested in shares of Discovery Harbour Resources Corp., a private company. The Company recorded its investment in Discovery Harbour on a fully-consolidated basis until January 28, 2010. Effective January 28, 2010, Discovery Harbour issued a total of 19,315,000 common shares, which resulted in the Company's ownership in Discovery Harbour decreasing from 100% to 10.46% and a reported gain on dilution of \$442,269. For the period of January 28, 2010 to June 1, 2010, the Company no longer had a controlling interest in Discovery Harbour, but had a controlling representation of the board, and therefore, had significant influence. Therefore, the investment was recorded using the equity method until June 1, 2010. Effective June 1, 2010, the Company lost a controlling representation of the board and therefore, no longer had significant influence over Discovery Harbour. As a result, shares of Discovery Harbour were classified as an available for sale financial assets which did not have a quoted price in an active market, and were measured at cost at initial recognition. The company had 2,020,001 shares at \$0.10 of 19,315,001 total shares issued as at December 31, 2010.

Cost	\$ 202,000
Net Loss	<u>(41,537)</u>
Net investment	<u>\$ 160,463</u>

**8. Loans Receivable**

	<b>December 31 2010</b>	September 30 2010
Discovery Harbour Resources Corp.(a)	<b>\$ 3,100,000</b>	\$ 3,100,000
Pennant Energy Inc. (b)	<b>275,000</b>	275,000
Arctic Star Diamond Corp. (c)	<b>25,000</b>	25,000
Accrued interest	<b>230,242</b>	75,517
	<b><u>\$ 3,630,242</u></b>	<u>\$ 3,475,517</u>

(a) Discovery Harbour Resources Corp.

On June 1, 2010, the Company advanced an unsecured line of credit of up to \$2,300,000 to Discovery Harbour Resources Corp., a private company, related through common directors. The Company holds approximately 10% of the total common shares outstanding. The loan bears an annual interest rate of 6%. The loan is due on demand within forty five calendar days from the date written notice is delivered to the corporate offices of Discovery Harbour Resources Corp. The loan is measured at amortized cost which approximates its carrying value due to its short term nature. On June 8, 2010 and September 1, 2010, the Company advanced an unsecured line of credit of up to \$800,000 to Discovery Harbour Resources Corp. The loan bears an annual interest rate of 11%. The loan is due on demand within forty five calendar days from the date written notice is delivered to the corporate offices of Discovery Harbour Resources Corp. The loan is measured at amortized cost which approximates its carrying value due to its short term nature.

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**8. Loans Receivable: (Continued)**

(b) Pennant Energy Inc.

On June 8, 2010, the Company advanced a secured line of credit of up to \$400,000 to Pennant Energy Inc., a public company which trades on the TSX Venture Exchange, related through common directors. The loan bears an annual interest rate of 11%. The loan is due on demand within forty five calendar days from the date written notice is delivered to the corporate offices of Pennant Energy Inc. The loan is secured by Pennant Energy Inc.'s oil production revenue and assets. The loan is measured at amortized cost which approximates its carrying value due to its short term nature.

(c) Arctic Star Diamond Corp.

On August 11, 2010, the Company advanced a loan of \$25,000 to a related party by common directors with no interest bearing, no stated terms of repayment and due on demand. The loan is measured at amortized cost which approximates its carrying value due to its short term nature.

**9. Share Capital:**

a) Authorized -

Unlimited Common shares without par value.

b) Issued and Fully Paid -

	Number	Amount
Balance September 30, 2009	103,036,383	\$ 44,817,143
Exercise of broker warrants @ \$0.50 per share	1,235,000	617,500
Fair value of broker warrants transferred from contributed surplus (Note 10)	-	392,369
Balance September 30, 2010	104,271,383	45,827,012
Brokered private placement @ \$1.10 per share *	18,182,000	20,000,200
Share issuance costs *	-	(1,675,550)
Exercise of options @ \$0.50 per share	105,000	52,500
Exercise of warrants @ \$0.75 per share	6,279,880	4,709,910
Fair value of options transferred from contributed surplus (Note 10)	-	59,454
Fair value of warrants transferred from contributed surplus (Note 10)	-	1,170,846
Balance December 31, 2010	128,838,263	\$ 70,144,372

\* On December 21, 2010, the Company sold 18,182,000 units at a price of \$1.10 per unit, for aggregate gross proceeds to the Company of \$20,000,200. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each warrant shall entitle the holder to purchase one common share of the Company at an exercise price of \$1.75 at any time up to and including the close of business on June 21, 2013, being the day which is 30 months from the closing of the offering. All securities issued under the

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

b) Issued and Fully Paid - (Continued)

offerings are subject to a hold period ending April 22, 2011. The net proceeds received by the Company from the sale of the Units will be used to advance the Company's Milestone Potash Development Project located in the Province of Saskatchewan, and for general working capital purposes. In consideration for their services, the underwriters, Mackie Research Capital Corporation and Scotia Capital Inc. have received a cash commission of 6.0% of the aggregate gross proceeds of the Offering. In addition, the Underwriters received an aggregate of 1,272,740 non-transferable common share purchase warrants each exercisable to acquire one Unit at a price of \$1.10 per compensation warrant at any time up to and including the close of business on June 21, 2013, being the day which is 30 months from the closing of the offering.

c) Share Purchase Warrants -

- (i) As at December 31, 2010, the Company had warrants outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price per Share	Expiry Date
33,948,720	\$ 0.75	April 15, 2011
1,272,740	1.10	June 21, 2013
9,091,000	1.75	June 21, 2013
44,312,460		

- (ii) A Summary of the Company's issued and outstanding share purchase warrants as at December 31, 2010, September 30, 2010 and 2009 and changes during those years is presented below:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, September 30, 2009	42,410,050	\$ 0.74
Exercised	(1,235,000)	(0.50)
Expired	(946,450)	(0.50)
Balance, September 30, 2010	40,228,600	0.75
Granted *	10,363,740	1.67
Exercised	(6,279,880)	(0.75)
Balance, December 31, 2010	44,312,460	\$ 0.97

\* On December 21, 2010, the company granted 10,363,740 common share purchase warrants and brokers' warrants with its offering mentioned in Note 9(b).

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

d) Stock Based Compensation Plan -

- (i) As at December 31, 2010, the Company had compensation and stock options outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price per Share	Expiry Date
6,970,000	\$ 0.50	May 6, 2013
730,000	0.50	May 19, 2014
1,000,000	0.50	December 1, 2014
1,000,000	0.50	June 1, 2015
2,500,000	1.10	December 29, 2015
12,200,000		

- (ii) A summary of the status of the Company's stock options as at December 31, 2010, September 30, 2010 and 2009, and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price
Balance September 30, 2009	8,405,105	\$ 0.54
Granted *	2,000,000	0.50
Expired	(600,105)	(1.10)
Balance September 30, 2010	9,805,000	0.50
Granted **	2,500,000	1.10
Exercised	(105,000)	0.50
	12,200,000	\$ 0.62

\* On December 1, 2009, the Company granted 1,000,000 stock options at an exercise price of \$0.50 to its consultant, exercisable at any time on or before December 1, 2014. The fair value of these stock options is determined to be \$338,500 using the Black-Scholes option pricing model using the current assumptions of risk free interest rates of 2.38%, expected life of 5 years, expected volatility of 117.56% and a dividend rate of 0%. See also Note 10.

On June 1, 2010, the Company granted 1,000,000 stock options at an exercise price of \$0.50 to its employees and consultants, exercisable at any time on or before June 1, 2015. The fair value of these stock options is determined to be \$353,983 using the Black-Scholes option pricing model using the current assumptions of risk free interest rates of 2.61%, expected life of 5 years, expected volatility of 110.66% and a dividend rate of 0%. See also Note 10.

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

d) Stock Based Compensation Plan - (Continued)

(ii) (Continued)

\*\* On December 29, 2010, the Company granted 2,500,000 stock options at an exercise price of \$1.10 to its employees and consultants, and directors exercisable at any time on or before December 29, 2015. The fair value of these stock options is determined to be \$2,235,579 using the Black-Scholes option pricing model using the current assumptions of risk free interest rates of 2.45%, expected life of 5 years, expected volatility of 104.66% and a dividend rate of 0%. See also Note 10.

e) Escrow shares -

As of December 31, 2010, the Company had nil shares held in escrow for various directors (September 30, 2010 - nil).

**10. Contributed Surplus:**

Balance, September 30, 2009	\$ 9,038,911
Broker's warrants exercised	(392,369)
Amendment to warrants *	7,522,538
Fair value of compensation options issued (Note 9(d)(ii))	692,483
<hr/>	
Balance, September 30, 2010	16,861,563
Fair value of compensation options issued (Note 9(d)(ii))	2,235,579
Fair value of options transferred from contributed surplus upon exercise (Note 9(b))	(59,454)
Fair value of warrants transferred from contributed surplus upon exercise (Note 9(b))	(1,170,846)
<hr/>	
Balance, December 31, 2010	\$ 17,866,842
<hr/>	

\* On October 5, 2009, the Company received TSX Venture Exchange approval for the extension to the expiry date of share purchase warrants that were to expire on October 15, 2009. The warrants have been extended until April 15, 2011. The Company applies the fair value method in accounting for its modification to warrants using the Black-Scholes option pricing model. The warrant modification expense was \$7,522,538. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.36%; expected life – 1.53 year; expected volatility – 120.63%; and expected dividends – nil.

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**11. 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.

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Management, consulting and accounting fees	\$ 457,000	\$ 360,250

Accounts payable balances at December 31, 2010 were outstanding to related companies in the amount of \$35,000 (December 31, 2009: \$108,000).

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 Notes 7(b), 8(a)(b)(c), & Note 14(a).

**12. Capital Disclosures**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its potash properties and to maintain a flexible capital structure which optimises the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes 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 December 31, 2010, 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 had sufficient capital resources during the year to meet its operating requirements to complete its 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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**13. Financial Instruments and Risk Factors:**

a) Fair values

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

At December 31, 2010, the company's financial instruments were recorded at fair value on the balance sheet with changes to fair value being reported in the statement of operations. The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

The company's cash and cash equivalents, term deposit, loans receivable, and held for trading investment have been valued using Level 1 inputs. Available for sale investment has been valued using Level 3 inputs. The carrying value of account and other receivables and accounts payable and accrued liabilities approximate their fair value because of the short term nature of these instruments.

b) Credit risk

Credit risk is the loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is attributable to HST/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.

c) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had a cash and cash equivalent balance of \$23,135,500 to settle current liabilities of \$225,547. All of the Company's significant liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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**13. Financial Instruments and Risk Factors: (Continued)**

c) Liquidity risk (Continued)

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.

d) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

The Company has cash balances and no interest bearing debt. The Company's current policy is to invest excess cash in high yield term deposits and bankers' 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.

ii) 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 December 31, 2010.

iii) 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 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 December 31, 2010. 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.

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**14. Commitments and Contractual Agreements:**

- a) On August 1st, 2007 as amended June 1, 2008, the Company entered into a two 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 .
- 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 applicable taxes.
- c) On May 4, 2010, the Company agreed to sublease another premises located at 701 West Georgia Street, Vancouver BC, commencing July 1, 2010 and expiring June 30, 2014. The premises consists of 3,260 square feet of rentable area and has a basic rental fee of \$32.00 per square feet per annum plus applicable taxes.
- d) On November 5, 2009, the Company agreed to sublease a premises located at 1545B McAra St., Regina, Saskatchewan, commencing November 15, 2009 and expiring November 14, 2014. The premises consists of 1,800 square feet of rentable area and has a minimum monthly rental fee of \$2,200 plus applicable taxes.

2011	433,704
2012	411,704
2013	407,304
2014	305,478

**15. Subsequent Events:**

There were no subsequent events as of the balance sheet date.