



Vancouver, BC

CONSOLIDATED FINANCIAL STATEMENTS

**For the Years Ended September 30, 2011
and September 30, 2010**

WESTERN POTASH CORP.
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A CHAN AND COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To: the Shareholders of
Western Potash Corp.

We have audited the accompanying consolidated financial statements of Western Potash Corp. ("the Company"), which comprise the consolidated balance sheets as at September 30, 2011 and September 30, 2010 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Western Potash Corp. as at September 30, 2011 and September 30, 2010, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"A Chan & Company LLP"
Chartered Accountants

Vancouver, British Columbia
December 21, 2011

WESTERN POTASH CORP.
Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the Years Ended September 30, 2011 and 2010

	2011	2010
Expenses:		
Accounting fees	\$ 189,922	\$ 128,987
Amortization	63,621	41,932
Bank charges and interest	9,385	9,126
Consulting fees	2,408,614	1,410,339
Filing and regulatory fees	342,021	63,692
Foreign Exchange Loss	(2,445)	5,663
Investor relations	930,075	741,770
Legal fees	666,217	175,344
Office and miscellaneous	376,809	265,432
Rent, net of recoveries	340,013	167,435
Salaries, wages and benefits	504,082	267,850
Stock based compensation (Note 8(d)(ii))	5,836,997	8,215,021
Telephone	66,392	52,835
Travel - Corporate Development	989,793	-
Travel - Investor relations	171,132	648,743
Loss before other items	(12,892,628)	(12,194,169)
Other Items:		
Interest income	188,037	116,197
Write off of mineral properties and deferred exploration costs (Note 5(c))	-	(280,611)
Loss on disposal of investment (Note 6(a))	(48,877)	(87,786)
Unrealized loss on held-for-trading investment (Note 6(c) & 7(a))	(1,099,767)	(87,990)
Gain on dilution of ownership (Note 6(b))	-	442,269
Loss of equity accounted investment (Note 6(b))	-	(41,537)
Other revenue	71,429	-
Net Loss and Comprehensive Loss	(13,781,806)	(12,133,627)
Deficit, beginning	(23,700,558)	(11,566,931)
Deficit, ending, to Exhibit "A"	\$ (37,482,364)	\$ (23,700,558)
Weighted Loss per share		
- basic and diluted	\$ (0.10)	\$ (0.12)
Weighted Average Number of Shares Outstanding	141,321,405	104,210,478

- see accompanying notes -

WESTERN POTASH CORP.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2011 and 2010

	2011	2010
Operating Activities:		
Net Loss, per Exhibit "B"	\$ (13,781,806)	\$ (12,133,627)
Adjustment for -		
Amortization	63,621	41,932
Accrued interest on loans receivable	18,552	(75,517)
Write off of mineral properties and deferred exploration costs	-	280,611
Loss on disposal of investment	48,877	87,786
Unrealized loss on held-for-trading investment	1,099,767	87,990
Gain on dilution of ownership	-	(442,269)
Loss from equity accounted investment	-	41,537
Stock based compensation	5,836,997	8,215,021
Changes in non-cash working capital -		
Increase in accounts and other receivables	(472,526)	(829,343)
(Increase) Decrease in prepaid expenses	(98,029)	10,928
Increase (Decrease) in accounts payable and accrued liabilities	17,251	8,812
Cash flows used in operating activities	(7,267,296)	(4,706,139)
Investing Activities:		
Acquisition of equipment	(201,066)	(107,808)
Acquisition of mineral properties and deferred exploration and development costs	(17,548,294)	(13,286,924)
Acquisition of investment	(1,635,000)	(202,000)
Deposit	(115,281)	(90,900)
Proceeds on sale of investment	630,136	1,245,212
Proceeds on loans receivable	300,000	4,727,000
Payments on loans receivable	(1,350,000)	(2,127,000)
Deconsolidation of Discovery Harbour Resources Corp.	-	128,915
Acquisition of term deposits	(120,000)	-
Proceeds on term deposits	21,793	140,336
Cash flows used in investing activities	(20,017,712)	(9,573,169)
Financing Activities		
Issuance of share capital, subscriptions receipts and shares subscribed	48,622,800	617,500
Share issuance costs	(1,675,550)	-
Cash flows from financing activities	46,947,250	617,500
Net increase (decrease) in Cash and cash equivalents	19,662,242	(13,661,808)
Cash and cash equivalents, beginning	2,209,311	15,871,119
Cash and cash equivalents, ending	\$ 21,871,553	\$ 2,209,311

- see accompanying notes -

WESTERN POTASH CORP.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2011 and 2010

Exhibit "C"
Continued

	2011	2010
<hr/>		
Non-cash activities:		
(i) Unsecured line of credits and accrued interest settled for convertible loan receivable	\$ 4,506,964	\$ -
(ii) Accrual for exploration costs	\$ 532,017	\$ 347,602
<hr/>		
Cash and cash equivalents consist of:		
Cash	\$ 21,861,553	\$ 2,189,311
Bankers acceptances and GIC's	10,000	20,000
	<hr/>	<hr/>
	\$ 21,871,553	\$ 2,209,311
<hr/>		
Supplemental disclosure of cash flow information:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
<hr/>		

- see accompanying notes -

**WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010**

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, 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

These 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 consolidated 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 September 30, 2011, the Company had not yet achieved profitable operations, had an accumulated deficit of \$37,482,364 since inception and expects to incur further losses in the development of its business. However, the Company had working capital of \$23,524,018 as at September 30, 2011 which should be sufficient for it to complete its planned feasibility study of the Milestone project in Saskatchewan in 2012. 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 consolidated 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: PotassioOccidental M Ltda (a company incorporated in Brazil), WPX Land Holdings Corp. (a company incorporated in the province of Saskatchewan), 0907414 B.C. Ltd. (a company incorporated in the province of B.C.) and 101178726 Saskatchewan Ltd. (a company incorporated in the province of Saskatchewan). All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. As of January 28, 2010, Discovery Harbour Resources Corp.'s ("Discovery Harbour") financial statements, a previously 100% owned subsidiary, 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 6 (b)).

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

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 Consolidated Financial Statements
September 30, 2011 and 2010

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.

Potentially dilutive common shares relating to options and warrants outstanding totaling 25,989,110 at September 30, 2011 (September 30, 2010: 50,033,600) 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 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 Consolidated Financial Statements
September 30, 2011 and 2010

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
Term deposits	Held-for-trading
Account and other receivables	Loans and receivables
Loan receivable	Loans and receivables
Convertible loan receivable	Held-for-trading
Investments	Available-for-sale or 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 15 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.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

2. Significant Accounting Policies: (Continued)

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 September 30, 2011 and September 30, 2010, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

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" 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 noncompliance. This 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; convertible loans receivable, investment, mineral asset impairment assessments; stock based compensation and income taxes.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

3. 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 Company will adopt IFRS effective October 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended September 30, 2011. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS as well as certain presentation differences. The Company has begun assessing the adoption of IFRS for 2011 and has discussed its plan in the Company's Management's Discussion and Analysis for the year ended September 30, 2011.

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". CICA Handbook Section 1582 establishes standards for the accounting for business combinations, 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.

4. Equipment:

	Cost	Accumulated Amortization	2011 Net	2010 Net
Automobiles	\$ 89,587	\$ 63,468	\$ 26,119	\$ 37,313
Computer software	49,868	35,373	14,495	573
Furniture and fixtures	175,406	28,185	147,221	53,221
Leasehold improvements	103,328	24,590	78,738	38,021
	\$ 418,189	\$ 151,616	\$ 266,573	\$ 129,128

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

5. Mineral Properties and Deferred Exploration and Development Costs:

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

	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
Geophysical consulting and seismic	-	4,122,485	-	4,122,485
Vehicle rental and hauling	-	236,552	-	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
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 & others	-	7,703,349	-	7,703,349
Equipment rental and tool supplies	-	70	-	70
Geophysical consulting and seismic	-	1,195,309	-	1,195,309
Vehicle rental and hauling	-	67,752	-	67,752
	-	8,966,480	-	8,966,480
Acquisition Expenditures				
Cash	102,773	8,663,456	-	8,766,229
Balance as at September 30, 2011	\$ 12,371,060	\$ 36,397,680	\$ -	\$48,768,740

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

5. 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 a 95% interest (the option of 70% plus the Second Option of additional 25%) 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 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 2009, the Company did not renew QP-167 and concentrated 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 the subject of addendums to the Manitoba Option Agreement dated October 22, 2007. The terms of the addendums 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 addendums. The Company may purchase 1% of the NPR on all potash mining leases covered by the original option agreement and the addendums 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.

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 the Company
- The reduction, out of the addendums signed dated October 22, 2007, from remaining 150,000 additional shares to be issued by June 27, 2012 to nil.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

Exhibit "D"
Continued

5. 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 Ferriera, 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.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

Exhibit "D"
Continued

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

a) Manitoba Potash Property (Continued)

Option General

If either or all exploration permits covered by the Manitoba Option Agreement and the addendums 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 all of the permits covered by the original agreement and the addendums by making application for and receiving a potash mining lease for either or all permits and either paying Ferriera CAD \$1,000,000 or issuing \$1,000,000 in shares of the Company to Ferriera, for each potash mining lease, at the discretion of Ferriera, on or before the eighth anniversary of the original agreement.

Surrender of Permits

The Company may surrender either potash exploration permits from the original agreement and the addendums 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 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 the Company the exclusive rights to explore and prospect for subsurface minerals for a term of five years. During 2009, the Company did not renew permit KP-407 and concentrated on properties covered under permits KP-408 and KP-409.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
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5. Mineral Properties and Deferred Exploration and 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, would acquire, on behalf of the Company, exploration rights for potash and bauxite over acreage in the Brazilian Amazon Basin, then vend 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 the 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 as the Company had no immediate future plans to conduct exploration work in Brazil.

6. Investments:

	2011	2010
<hr/>		
<u>Available-for-sale investment</u>		
Discovery Harbour Resources Corp. – cost (b)	\$ 160,463	\$ 160,463
Potash Ridge Corporation – cost (d)	1,500,000	-
 <u>Held-for-trading investment</u>		
Sirius Exploration PLC – cost (a)	-	767,002
Sirius Exploration PLC – unrealized loss (a)	-	(87,990)
Arctic Star Exploration Corp. – shares and warrants - cost (c)	135,000	-
Arctic Star Exploration Corp. – unrealized loss (c)	(20,800)	-
	<hr/>	
	\$ 1,774,663	\$ 839,475
	<hr/> <hr/>	

a) Sirius Exploration PLC

On July 14, 2008 the Company participated in a private placement of a private junior potash exploration company, AusPotash Corporation, 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 (½) 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, and are measured at their quoted fair market value with unrealized loss of \$87,990 recognized in net loss for the year ended September 30, 2010. All remaining shares were disposed of for cash proceeds of \$630,302 and loss of \$48,877 recognized in net loss for the year ended September 30, 2011.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

6. Investments: (Continued)

b) 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 from January 28, 2010 to June 1, 2010, the Company no longer had a controlling interest in Discovery Harbour, but had controlling representation on the Board of Directors, 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 controlling representation on the Board of Directors and therefore no longer had significant influence over Discovery Harbour; and the Company has been related to Discovery Harbour Resources Corp. by a common director since June 1, 2010. As a result, shares of Discovery Harbour were classified as an available for sale financial asset which did not have a quoted price in an active market, and were measured at the carrying amount at June 1, 2010. The company had 2,020,001 shares @ \$0.10 (2010 - 2,020,001 shares @ \$0.10) of 37,815,001 (2010 - 19,315,001) total shares issued as at September 30, 2011.

Cost at January 28, 2010	\$ 202,000
Share of net loss in 2010	<u>(41,537)</u>
Carrying amount at June 1 and September 30, 2010	<u>\$ 160,463</u>

b) Arctic Star Exploration Corp.

During the year ended September 30, 2011, the Company participated in a private placement of Arctic Star Exploration Corp., which is a public company listed on TSX-Venture Exchange and a company related to the Company by a common director. The Company acquired 540,000 units at \$0.25 per unit, with each unit made up of one share and one half of one common share purchase warrant, exercisable at \$0.50 per share until August 26, 2012. Shares of Arctic Star Exploration Corp. are held for trading financial assets, and are measured at their quoted fair market value. The fair value of warrants is established by using the valuation technique, the Black-Scholes Option Pricing Model. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 0.91% – 1.04%; expected life – 0.91 year - 1 year; expected volatility – 167.69% – 168.04%; and expected dividends – nil. Unrealized loss of \$20,800 was recognized in net loss for the year ended September 30, 2011.

c) Potash Ridge Corporation (formerly, New Earth Potash Corp.)

During the year ended September 30, 2011, the Company participated in a private placement of Potash Ridge Corporation, which is a private junior potash exploration company in Canada. The Company acquired 6,000,000 units at \$0.25 per unit, with each unit made up of one common share and one half of one common share purchase warrant, exercisable at \$0.50 per share until a date that is two years less one day from the date Potash Ridge Corporation becoming a reporting issuer in any province or territory in Canada. Units of Potash Ridge Corporation 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.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
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7. Loans and Convertible Loans Receivable:

	2011	2010
Discovery Harbour Resources Corp.(a)	\$ 4,450,000	\$ 3,100,000
Pennant Energy Inc. (b)	-	275,000
Arctic Star Exploration Corp. (c)	-	25,000
Accrued interest	56,964	75,517
Unrealized loss (a)	(1,078,967)	-
	\$ 3,427,997	\$ 3,475,517
Current	\$ -	\$ 3,475,517
Long-term	3,427,997	-
	\$ 3,427,997	\$ 3,475,517

(a) Discovery Harbour Resources Corp.

On June 1, 2010, the Company advanced an unsecured line of credit of up to \$2,300,000 bearing 6% interest rate per annum to Discovery Harbour Resources Corp., a private company, related through a common director. On June 8, 2010 and September 1, 2010, the Company advanced an unsecured line of credit of up to \$800,000 bearing 11% interest rate per annum to Discovery Harbour Resources Corp. The loans were due on demand within forty five calendar days from the date written notice was delivered to the corporate offices of Discovery Harbour Resources Corp. The loans were measured at amortized cost which approximated its carrying value due to its short term nature for the year ended September 30, 2010. During the year ended September 30, 2011, the Company advanced an unsecured line of credit of up to \$1,350,000 to Discovery Harbour Resources Corp. On January 1, 2011 and amended on November 15, 2011, the Company and Discovery Harbour Resources Corp. entered into a convertible debenture agreement whereby the Company may, at its sole option, at any time until December 31, 2013, convert a total outstanding principal in an amount of \$4,450,000 and any interest accrued from June 1, 2010 to December 31, 2010 in an amount of \$56,964 into common shares of Discovery Harbour Resources Corp. at a price of \$0.35 per share. Under the terms, the convertible debenture is not interest-bearing and is secured by all present and subsequently acquired personal property of Discovery Harbour Resources Corp. As the convertible debenture is classified as held-for-trading investment, it is measured at fair value with unrealized loss of \$1,078,967 recognized in net loss for the year ended September 30, 2011. The present value technique was used by the Company to estimate the fair value of the convertible debenture using the market rate of interest 13% for debt with similar risk characteristics. If these assumptions were to change, the fair value of the convertible debenture could change significantly.

Reconciliation of level 3 fair value measurement of convertible debenture is as follows:

Opening balance, October 1, 2010	\$ -
Convertible debentures	4,506,964
Unrealized loss	(1,078,967)
Closing balance, September 30, 2011	\$ 3,427,997

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

7. Loans and Convertible Loans Receivable: (Continued)

(b) Pennant Energy Inc.

On June 8, 2010, the Company advanced a secured line of credit of up to \$400,000 bearing an annual interest rate of 11% to Pennant Energy Inc., a public company which trades on the TSX Venture Exchange, related through common directors. The loan was due on demand. The loan was secured by Pennant Energy Inc.'s oil production revenue and assets. The loan was fully re-paid by Pennant Energy Inc. during the year ended September 30, 2011.

(c) Arctic Star Exploration Corp.

On August 11, 2010, the Company advanced a loan of \$25,000 to a related party by a common director with no interest bearing, no stated terms of repayment and due on demand. The loan was fully re-paid by Arctic Star Exploration Corp. during the year ended September 30, 2011.

8. 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 9)	-	392,369
Balance September 30, 2010	104,271,383	45,827,012
Brokered private placement @ \$1.10 *	18,182,000	20,000,200
Share issuance costs *		(2,480,283)
Exercise of options @ \$0.50 per share	1,285,000	642,500
Exercise of warrants @ \$0.75 per share	37,306,800	27,980,100
Fair value of options transferred from contributed surplus (Note 9)	-	465,606
Fair value of warrants transferred from contributed surplus (Note 9)	-	6,976,177
Balance, September 30, 2011	161,045,183	\$ 99,411,312

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

8. Share Capital: (Continued)

* 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. The Company issued 1,272,740 brokers' warrants, each exercisable to acquire one Unit at a price of \$1.10 per warrant at any time up to and including the close of business on June 21, 2013. A value of \$804,733 has been attributed to brokers' warrants issued in this private placement using an option pricing model and has been credited to contributed surplus and been deducted as share issuance costs. Assumptions used in the option pricing model were as follows: average risk-free interest rate – 1.73%; expected life – 2.5 year; expected volatility – 103.71%; and expected dividends – nil. The Company paid \$1,675,550 finders, legal and filing fees related to this private placement.

c) Share Purchase Warrants -

(i) As at September 30, 2011, the Company had warrants outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price per Share	Expiry Date
1,272,740 *	1.10	June 21, 2013
9,091,000	1.75	June 21, 2013
10,363,740		

* These warrants entitle the holder to convert to one share and one-half of one common share purchase warrant with an exercise price of \$1.75

(ii) A Summary of the Company's issued and outstanding share purchase warrants as at September 30, 2011 and September 30, 2010 and changes during those years is presented below:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, September 30, 2009	42,410,050	\$ 0.74
Granted	-	-
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	(37,306,800)	(0.75)
Expired	(2,921,800)	(0.75)
Balance, September 30, 2011	10,363,740	\$ 1.67

* On December 21, 2010, the Company granted 10,363,740 common share purchase warrants and brokers' warrants with its offering.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

Exhibit "D"
Continued

8. Share Capital: (Continued)

d) Stock Based Compensation Plan -

- (i) As at September 30, 2011, 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
710,000	0.50	May 19, 2014
840,000	0.50	June 1, 2015
2,500,000	1.10	December 29, 2015
100,000	1.13	January 11, 2016
425,000	1.34	February 3, 2016
3,444,000	1.16	May 20, 2016
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14,989,000		

- (ii) A summary of the status of the Company's stock options as at September 30, 2011 and September 30, 2010, 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)
<hr/>		
Balance September 30, 2010	9,805,000	0.50
Granted **	6,469,000	1.15
Exercised	(1,285,000)	(0.50)
<hr/>		
Balance September 30, 2011	14,989,000	\$ 0.78

* 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 charged to operations in 2010 as stock based compensation 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%.

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 charged to operations in 2010 as stock based compensation 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%.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

8. Share Capital: (Continued)

d) Stock Based Compensation Plan – (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 charged to operation in 2011 as stock based compensation is determined to be \$2,235,759 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%.

On January 11, 2011, the Company granted 100,000 stock options at an exercise price of \$1.13 to its employees and consultants, exercisable at any time on or before January 11, 2016. The fair value of these stock options charged to operation in 2011 as stock based compensation is determined to be \$87,056 using the Black-Scholes option pricing model using the current assumptions of risk free interest rates of 2.51%, expected life of 5 years, expected volatility of 104.08% and a dividend rate of 0%.

On February 3, 2011, the Company granted 425,000 stock options at an exercise price of \$1.34 to its employees and consultants, exercisable at any time on or before February 3, 2016. The fair value of these stock options charged to operation in 2011 as stock based compensation is determined to be \$437,492 using the Black-Scholes option pricing model using the current assumptions of risk free interest rates of 2.66%, expected life of 5 years, expected volatility of 103.36% and a dividend rate of 0%.

On May 20, 2011, the Company granted 3,444,000 stock options at an exercise price of \$1.16 to its employees and consultants and directors exercisable at any time on or before May 20, 2016. The fair value of these stock options charged to operation in 2011 as stock based compensation is determined to be \$3,076,690 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 100.61% and a dividend rate of 0%.

e) Escrow shares -

As of September 30, 2011 the Company had nil shares held in escrow for various directors (September 30, 2010 - nil).

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

Exhibit "D"
Continued

9. 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 8(d)(ii))	692,483
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Balance, September 30, 2010	16,861,563
Fair value of compensation options issued (Note 8(d)(ii))	5,836,997
Fair value of brokers' warrants (Note 8(b))	804,733
Fair value of options transferred from contributed surplus upon exercise (Note 8(b))	(465,606)
Fair value of warrants transferred from contributed surplus upon exercise (Note 8(b))	(6,976,177)
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Balance, September 30, 2011	\$ 16,061,510
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* On October 5, 2009, the Company received TSX Venture Exchange approval for the extension of the expiry date of share purchase warrants that were to expire on October 15, 2009. The expiry date was extended until April 15, 2011, all other terms and conditions remained unchanged. The Company calculated the fair value method its modification to warrants using the Black-Scholes option pricing model. The warrant modification expense was \$7,522,538 and was charged to 2010 operations as stock based compensation. 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.

10. Income Taxes:

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

	2011	2010
Statutory tax rate	27.00 %	29.00 %
Loss for the year	\$ (13,781,806)	\$ (12,133,627)
Income tax recovery at statutory rates	(3,721,088)	(3,518,752)
Net adjustments for amortization and other non-deductible items	1,154,829	2,275,889
Expected income taxes recovery	(2,566,259)	(1,242,863)
Effect of tax rate reductions and estimates	(68,407)	542,743
Valuation allowance for future assets	2,634,666	700,120
Future income taxes recovery	\$ -	\$ -

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

Exhibit "D"
Continued

10. Income Taxes: (Continued)

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

	2011	2010
Non-capital and capital losses carried forward	\$ 4,474,235	\$ 2,554,977
Cumulative exploration and development expenditures	(598,893)	(847,020)
Others	799,058	331,778
Valuation allowance for future tax assets	(4,674,400)	(2,039,735)
Total Future Tax Assets	\$ -	\$ -

At September 30, 2011, the Company has non capital losses carried forward for Canadian income tax purposes totalling approximately \$17,000,000, which will expire through to 2031 and may be applied against future taxable income. The Company also has approximately \$520,000 of capital losses that may be carried forward and applied indefinitely against future capital gains. In addition, the Company has approximately \$46,350,000 of exploration and development costs which are available for deduction against future income for tax purposes.

At September 30, 2011, 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.

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. The Company also charged the companies, related by common directors, rental for sharing office it sub-leased at West Georgia, Vancouver (See Note 13(b)).

	2011	2010
Management, consulting and accounting fees	\$ 1,150,007	\$ 870,800
Geological consulting fees	14,100	-
Rent charged to related party companies	124,578	163,859

Accounts payable balances at September 30, 2011 were outstanding to companies in which directors are shareholders and an accounting firm in which a director is a principal in the amount of \$13,995 (September 30, 2010: \$31,990).

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. (Notes 6, 7 & 13 also provides information on related party transactions).

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
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12. Capital Disclosures:

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and acquire or dispose of assets. As at September 30, 2011, the Company had not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to those markets, and by its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements; however, it is subject to any regulations and rules imposed by the Toronto Stock Exchange in issuing and/or maintaining debt or equity financings.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company expected it has sufficient capital resources during the year to meet its operating requirements to complete its Feasibility study at its Milestone Property in Saskatchewan.

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

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
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13. Commitments and Contractual Agreements:

- a) On August 1, 2007, as amended January 1, 2011, the Company entered into a two-year 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 \$20,000 per month plus some other 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 premise consists of 4,552 square feet of rentable area and has a basic rental fee of \$32.00 per square feet per annum plus HST. 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 premise 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 April 29, 2011, the Company agreed to sublease another premises located at 701 West Georgia Street, Vancouver BC, commencing July 1, 2011 and expiring June 30, 2014. The premise consists of 1,186 square feet of rentable area and has a basic rental fee of \$30.50 per square feet per annum plus applicable taxes.
- e) 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, 2011. The premise consisted of 1,800 square feet of rentable area and had a minimum monthly rental fee of \$2,200 plus applicable taxes. Effective November 1, 2011, the Company moved to a new premises located at 2010 – 11th Avenue, Regina, Saskatchewan, commencing November 1, 2011 and expiring October 31, 2016. The premise consists of 2,318 square feet of rentable area and has a minimum monthly rental fee of \$3,477 plus applicable taxes

The minimum lease payments for the fiscal years ended September 30 are as follows:

2012	509,630
2013	512,184
2014	394,569
2015	41,724
2016	41,724

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2011 and 2010

14. Acquisition of 101185842 Saskatchewan Ltd.:

On June 1, 2011, the Company, through its wholly owned subsidiary (101178726 Saskatchewan Ltd.), completed the acquisition of 100% of 1011855842 Saskatchewan Ltd., a private company, for cash consideration of \$7,680,000. Subsequently, 101178726 Saskatchewan Ltd. and 1011855842 Saskatchewan Ltd. were amalgamated as one company under the name of 101178726 Saskatchewan Ltd.

On acquisition, net assets acquired (i.e. the mineral properties) and considerations paid were \$7,680,000 (Note 5). There were no other outstanding assets or liabilities (other than \$133,690 in each of receivable and income tax payable) in 1011855842 Saskatchewan Ltd.

This transaction has been treated as an asset acquisition as 1011855842 Saskatchewan Ltd. did not have an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit directly. The mineral properties acquired currently do not have any proven or probable resources or reserves.

15. 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 September 30, 2011, certain of 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, except for those investments that do not have a quoted market price in an active market, which are measured at cost. The fair value measurement of these instruments is classified according to the following hierarchy based on the amount of observable inputs available 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, and held-for-trading investment in shares have been valued using Level 1 inputs. Available for sale investment, held-for-trading investment in warrants and convertible loan receivable have been valued using Level 3 inputs.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
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15. Financial Instruments and Risk Factors: (Continued)

a) Fair values (Continued)

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at September 30, 2011 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	\$21,871,553	\$ -	\$ -	\$ 21,871,553
Term Deposit	120,000	-	-	120,000
Convertible loan receivable	-	-	3,427,997	3,427,997
Investment	97,200	-	1,677,463	1,774,663
	\$22,088,753	\$ -	\$ 5,105,460	\$ 27,194,213

b) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, term deposits, accounts and other receivables, convertible loan receivable and investment. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents and term deposits are held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. Convertible loan receivable is secured by all present and subsequently acquired personal property of Discovery Harbour Resources Corp., a company related by a common director. All transactions executed by the Company in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. 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 September 30, 2011, the Company had a cash and cash equivalent balance of \$21,871,553 to settle current liabilities of \$809,128. 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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15. 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 September 30, 2011.

iii) Commodity price risk

The Company is exposed to commodity price risk. 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. 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 if commercial quantities of potash are produced in the future, a profitable market will exist for them. A decline in the market price of potash may also result in the Company reducing its mineral resources, which could have a material and adverse effect on the Company's value.

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Exhibit "D"
Continued

15. Financial Instruments and Risk Factors: (Continued)

d) Market risk (Continued)

iii) Commodity price risk (Continued)

The Company is not a potash producer as of September 30, 2011; 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.

16. 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:

	2011	2010
Assets		
Canada	\$ 78,788,456	\$ 39,569,021
Brazil	11,129	26,457
	\$78,799,585	\$ 39,595,478

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the September 30, 2011 financial statement presentation.

18. Subsequent Event:

- a) The Company and its wholly owned subsidiary, WPX Land Holdings Corp., were amalgamated as one company under the name of Western Potash Corp. on October 1, 2011.