



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended

September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2011

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for Western Potash Corp. ("the Company" or "WPX") for the year ended September 30, 2011. It has been prepared as of December 28, 2011 and includes financial and other information up to the date of this report. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for year ended September 30, 2011. All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and all dollar amounts are expressed in Canadian dollars.

The Company's MD&A contains forward-looking statements such as the Company's future plans, objectives and goals. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization and resources, exploration and development results and future plans and objectives of Western Potash Corp. are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and information. Except as required under securities legislation, the Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise (see pages 22-23 for other risks and uncertainties).

Overview

On December 15, 2011, the Company filed a NI 43-101 on SEDAR titled "NI 43-101 Technical Report Summarizing the Preliminary Feasibility Study for a Potash Solution Mine on the Milestone Project (Subsurface Mineral Lease KLSA 008), Saskatchewan". The Study indicates that the Milestone Project has significant positive economics and that the asset is of sufficient size and grade to support primary and secondary solution mining for more than forty years at a rate of 2.8 million tonnes per year without any known limitations that may prevent a successful and profitable project. The Technical Report contains an updated resource estimate. The resource in the Measured category is slightly increased to 66.6 million tonnes, 186.9 million tonnes of Indicated Resource, and a slight reduction of Inferred Resource to 708.2 million tonnes. The reduction in the Inferred category is a result of the plant site and infrastructure land being removed from the estimate. Mineral reserves are expected to be reported within the next few months. The Prefeasibility Study was completed by AMEC Americas Limited.

On October 11, 2011 the Company submitted a "Project Proposal" to the Saskatchewan Ministry of Environment containing a description of the Milestone Project, signifying the beginning of the regulatory review process under the provincial Environmental Assessment Act. Environmental baseline data collection has been completed as part of the EIS process and the Company will look to the government for any further requirements with a view to submitting the statement in third quarter, 2012.

Overview (Continued)

On June 1, 2011 the Company completed the purchase of the surface lands required for the intended plant site for the Milestone potash project. Over 2,550 acres have been acquired on a freehold basis at the most preferential location, sufficient to allow for all facilities for the life of the mine. The site selection is a result of a complex assessment involving parameters that include proximity to the potash resource, environmental considerations, design specifications and access to infrastructure.

On July 12, 2011 the Company's shares were listed on the TSX and delisted from the TSX Venture Exchange following approval of the Company's application and review of technical and financial reports.

Description of Business

Western Potash Corp. was incorporated April 5, 2007 under the British Columbia *Business Corporation Act* as 787604 BC Ltd. The Company changed its name to Western Potash Corp. on July 10, 2007.

The Company is a mineral exploration company engaged in the acquisition, evaluation, exploration and development of potash mineral properties in Western Canada and Brazil. Its potash properties are located in Southwest Manitoba and Southern Saskatchewan. The Company's objectives are to discover, define and develop a world-class potash deposit. The Company's Milestone property is in the feasibility phase and has no mineral production that yields any revenues.

Selected Annual Information

The following table presents financial information for the years ended September 30, 2011, September 30, 2010 and September 30, 2009.

	For the Year Ended September 30, 2011	For the Year Ended September 30, 2010	For Year Ended September 30, 2009
Total revenues	\$ -	\$ -	\$ -
Interest income	188,037	116,197	287,606
Net loss and comprehensive loss	13,781,806	12,133,627	3,453,850
Basic and diluted loss per share	0.10	0.12	0.03
Total assets	78,799,586	39,595,478	43,241,798
Total long-term liabilities	-	-	-
Total current liabilities	809,128	607,461	952,675
Cash dividends	-	-	-

Review of Financial Results

Net Loss, Comprehensive Loss and Deficit

During the year ended September 30, 2011 the Company incurred a net loss and comprehensive loss of \$13,781,806 (\$0.10 per Common Share) as compared to a net loss and comprehensive loss of \$12,133,627 (\$0.12 per Common Share) for the year ended September 30, 2010. The Company's cumulative deficit at September 30, 2011 was \$37,482,364 as compared to a cumulative deficit of \$23,700,558 as at September 30, 2010.

Review of Financial Results (Continued)

General and Administrative

General and administrative expenses (“G&A”) increased by \$698,459 from \$12,194,169 for the year ended September 30, 2010 to \$12,892,628 for the year ended September 30, 2011.

Consulting fees increased \$998,275 from \$1,410,339 for the year ended September 30, 2010 to \$2,408,614 for the year ended September 30, 2011. Salary expenses increased \$236,232 from \$267,850 for the year ended September 30, 2010 to \$504,082 for the year ended September 30, 2011. Travel expenses increased \$512,182 from \$648,743 for the year ended September 30, 2010 to \$1,160,925 for the year ended September 30, 2011. Note - travel has been separated between investor relations and corporate development during the current year. The travel related to corporate development related to the company actively pursuing potential partners in India, China and all other parts of the world. The increases in consulting fees, salaries and travel expenses were primarily due to the Company commencing its pre-feasibility study related to its Milestone property and the requirement to retain additional staff and consultants and additional travel fees to ensure the study is completed efficiently and within the budgeted timeline. The Company also commenced exploratory negotiations with various interested parties related to possible joint venture / partnership arrangements that would allow for the eventual development of the Milestone property.

Legal fees increased \$490,873 from \$175,344 for the year ended September 30, 2010 to \$666,217 for the year ended September 30, 2011. Increase during the year is directly related to the company’s application to list on the Toronto Stock Exchange, the preparation of an AIF document for regulatory filing, the purchase of land in Saskatchewan, Incorporation of additional corporations related to the land purchase and work related to the conversion of various loans held by the company during the year and various one off issue requiring legal work by the company such as land leases work and responses related to the due diligence process required by potential partners.

Filing and regulatory fees increased \$278,329 from \$63,692 for the year ended September 30, 2010 to \$342,021 for the year ended September 30, 2011. Investor relations increased \$188,305 from \$741,770 for the year ended September 30, 2010 to \$930,075 for the year ended September 30, 2011. These increases were primarily due to the commencement of trading on the Toronto Stock Exchange and the de-listing from the TSX Venture Exchange in June, 2011.

Rent increased \$172,578 from \$167,435 for the year ended September 30, 2010 to \$340,013 for the year ended September 30, 2011. Office and miscellaneous expenses increased \$111,377 from \$265,432 for the year ended September 30, 2010 to \$376,809 for the year ended September 30, 2011. These increases were attributed to the rental of additional office space.

Stock based compensation decreased \$2,378,024 from \$8,215,021 for the year ended September 30, 2010 to \$5,836,997 for the year ended September 30, 2011. The decrease was attributable to the Black-Scholes valuation related to stock-based compensation related to options granted to the Company's management, directors, employees and consultants.

Other Income and Loss

Interest income increased \$71,840 from \$116,197 for the year ended September 30, 2010 to \$188,037 for the year ended September 30, 2011. The increase was due to an increase in cash, cash equivalents and term deposits from financing activities in the first quarter as well as the exercising of warrants and options.

Review of Financial Results (Continued)

Other Income and Loss (Continued)

Other losses increased \$1,021,560 from \$55,655 for the year ended September 30, 2010 to \$1,077,215 for the year ended September 30, 2011 primarily due to unrealized losses incurred on the Company's held-for trading investment.

Summary of Quarterly Results

The following table reports selected financial information for the eight most recent quarters.

	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011	Three months ended December 31, 2010
Other Items – Income (Loss)	\$(1,036,509)	\$ 111,128	\$ 33,327	\$ 2,876
Operating Expenses	2,460,394	4,823,160	2,121,188	3,487,886
Net Income (Loss)	(3,516,903)	(4,712,032)	(2,087,861)	(3,465,010)
Earnings (Loss) per share	(0.023)	(0.031)	(0.014)	(0.032)
Fully diluted earnings (loss) per share	(0.023)	(0.031)	(0.014)	(0.032)

	Three months ended September 30, 2010	Three months ended June 30, 2010	Three months ended March 31, 2010	Three months ended December 31, 2009
Other Items – Income (Loss)	\$ (408,217)	\$ 12,224	\$ 413,922	\$ 42,613
Operating Expenses	8,501,242	2,066,755	747,550	878,622
Net Income (Loss)	(8,909,459)	(2,054,531)	(333,628)	(836,009)
Earnings (Loss) per share	(0.080)	(0.002)	(0.003)	(0.008)
Fully diluted earnings (loss) per share	(0.080)	(0.002)	(0.003)	(0.008)

Quarterly numbers have been adjusted where applicable to reflect adjustments made by the Company's auditors during the September year end audits.

Liquidity and Capital Resources

Cash Resources and Liquidity

As at September 30, 2011, the Company had cash and cash equivalents of \$21,871,553 and working capital of \$23,524,018 compared to cash and cash equivalents of \$2,209,311 and working capital of \$6,870,198 as at September 30, 2010. The Company has no debt or other long term obligations outstanding impacting liquidity or future cash flows. The Company at this stage of operations depends on equity markets to raise funds for acquisition of assets and to carry out its exploration and development operations.

Future cash requirements depend primarily on the stage and the extent of exploration and development the Company is planning to implement. Subsequent exploration or development programs will depend on the cost and duration of work planned and on the results from previous programs. As of the date of this report, the Company is sufficiently funded to maintain its current properties and to carry out the planned feasibility program for 2012.

Liquidity and Capital Resources (Continued)

Financing Activities

The Company has raised approximately \$86 million since its inception net of issuance costs through the non-brokered private placement of common shares, exercise of general and brokers' warrants, exercise of compensation options and its Initial Public Offering as at the date of this report.

On December 21, 2010, the Company closed its previously announced private placement bought deal offering. 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. The Offering was underwritten by a syndicate of underwriters co-led by Mackie Research Capital Corporation and Scotia Capital Inc.

As of April 21, 2011, 37,306,800 of the Company's \$0.75 share purchase warrants that were granted in conjunction with financings and share/unit issuances on October 15, October 22 and December 21, 2007 as well as January 14, 2008 were exercised during the period of October 1, 2010 to April 15, 2011. The exercise of these warrants added \$27,980,100 to the Company's treasury, which has been utilized to develop the Milestone project and will be used to complete the feasibility process already underway and for general working capital. On April 16, 2011, the remaining 2,921,800 of the \$0.75 share purchase warrants expired.

The Company reported working capital of \$23,524,018 as at September 30, 2011, compared to working capital of \$6,870,198 as at September 30, 2010, representing an increase in working capital of \$16,653,820. The Company had net cash on hand of \$21,871,553 as at September 30, 2011, compared to \$2,209,311 as at September 30, 2010. Net cash on hand increased by \$19,662,242 primarily from the financing mentioned above.

Investment Activities

Mineral properties and deferred exploration cost totaled \$48,768,740 as at September 30, 2011, compared to \$31,036,031 as at September 30, 2010. The increase reflects the Company's continued exploration and pre-feasibility activities at its Milestone property in Saskatchewan, where \$8,966,480 in exploration and pre-feasibility costs and \$8,663,456 in acquisition expenditures were incurred. There were no exploration activities on the Company's Brazilian, and \$102,773 in acquisition expenditures on the Russell-Miniota property in Manitoba during the year. See also Mineral Properties below.

Investments totaled \$1,774,663 as at September 30, 2011 compared to \$839,475 as at September 30, 2010. The \$935,188 increase was primarily the result of the Company's \$1,500,000 investment in Potash Ridge Corporation and \$135,000 investment in Arctic Star Exploration Corp. The Company also disposed of its \$767,002 investment in Sirius Exploration PLC.

Additional Disclosures

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 income for sharing office it sub-leased at West Georgia, Vancouver.

	2011	2010
Management, consulting, rental 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.

Commitments and Contractual Obligations

- 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 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 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.

Additional Disclosures (Continued)

Commitments and Contractual Obligations (Continued)

- 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

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Subsequent Event

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.

Critical Accounting Policies and Estimates

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), WPX Land Holdings Corp. (a company incorporated in the province of Saskatchewan), and 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%.

Critical Accounting Policies and Estimates (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

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.

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.

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.

Critical Accounting Policies and Estimates (Continued)

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.

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.

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.

Critical Accounting Policies and Estimates (Continued)

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.

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.

Critical Accounting Policies and Estimates (Continued)

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.

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.

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 non compliance. This section relates to disclosures and will not have an impact on the Company’s financial results.

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.

Recent Released Canadian Accounting Standards

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.

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.

Mineral Properties

Saskatchewan

The 100% owned Milestone property is located 30 kilometers southeast of Regina, and southeast of Mosaic's Belle Plaine Mine, one of the largest producing potash solution mines in the world. The leases are adjacent to potash permits held by BHP-Billiton, Vale and the North Atlantic Potash- Rio Tinto JV. The Milestone project includes more than 87, 500 acres of Crown held Mineral Leases. The renewable 21 year Crown lease was granted by ministerial order and provides the company with full and exclusive power and right to mine Crown owned subsurface minerals, including potash, subject to the provisions outlined by The Saskatchewan Subsurface Mineral Regulations, 1960. The Company has completed the drilling of eleven potash exploration wells on the property, and purchased and acquired several hundred line kilometers of 2D and 3D seismic data. The Company has filed an NI 43-101 compliant Mineral Resource Estimate for the Milestone property, which consists of 64 million tonnes of Measured Resource (contained KCl), 180 million tonnes of Indicated Resource, and 701 million tonnes of Inferred Resource.

On June 21, 2011, the Company announced that it had completed the purchase of a large parcel of surface lands, advancing the development of the plant site facility for the Milestone project. The land acquisition program successfully secured over 2,550 acres at the Company's preferred plant site location. Securing the plant site location is an important aspect of the Milestone feasibility process as the environmental and regulatory approval processes and project schedules are dependent on it. The site is large enough to house all intended plant site facilities for the contemplated life of the mine.

The Company has completed water, soil, vegetation, and wildlife baseline studies over the site as part of its Environmental Approval process. The Company has also completed airborne geophysical surveys, satellite imagery acquisition, and geotechnical drilling as part of this process. Data from these studies was used to complete a detailed constraints assessment as part of the land acquisition process. The site was selected based on the following parameters:

- Proximity to the potash resource
- Motivated and engaging landownership
- Lack of surface streams
- Lack of subsurface aquifers
- Favorable surficial and hydro-geology characteristics
- Low geotechnical risk
- Proximity to road, rail and utility infrastructure

The plant site will support all maintenance, administration, processing, product storage, and load out facilities. The site will further be large enough to accommodate salt storage, brine cooling ponds, and all utility infrastructure. The site is of sufficient size to allow for increased potash production beyond the anticipated mining rate of 2.5 million tonnes of KCl product per year.

Mineral Properties (Continued)

Saskatchewan (Continued)

On October 11, 2011, the Company submitted a "Project Proposal" to the Saskatchewan Ministry of Environment. The Project Proposal provides a conceptual level description of the Milestone Project and formally initiates the regulatory review process under the provincial Environmental Assessment Act. Upon review of the Project Proposal, the government of Saskatchewan will issue Project Specific Guidelines which provide detailed information requirements to be included in the EIS. Golder Associates Ltd. of Saskatoon, Saskatchewan continues to assist the Company with the preparation of an Environmental Impact Statement ("EIS") for the Milestone project. Golder is a respected, employee-owned, global company providing consulting, design, and construction services in earth, environment, and related areas of energy. All environmental baseline data required for the preparation of the EIS has now been collected. On October 31, 2011, the Company announced the receipt of an independent positive Prefeasibility Study (the "Study") from AMEC Americas Limited ("AMEC") on its 100% owned Milestone property in southern Saskatchewan (the "Milestone Project"). AMEC is a leading international engineering and project management company that currently manages multiple potash expansion projects in Saskatchewan with a capital value of several billion dollars. AMEC was chosen to carry out the Study because of their technical expertise as engineers and EPCM contractors, as well as their experience in potash mine construction, potash processing and their expertise in producing potash feasibility studies.

This Study confirms that the Milestone Project shows significant positive economics and that the asset is of sufficient size and grade to support primary and secondary solution mining for more than forty years at a production rate of 2.8Mt/yr. An assessment of project economics was also included in the Study. Assuming a discount rate of 10%, the resulting project Net Present Value is \$4.14B CAD, while the Internal Rate of Return is 22.7 %. The economics were modeled using pricing based on a CRU market report. This report provided average yearly potash price estimates for the period from 2015 through 2025. The average for those years, equating to \$US 511/t, was used for the 2025 to 2055 period. The economic model assumes a flat US\$ exchange rate, CAPEX based on 100% equity, and tax and royalties calculated using a flat rate of CAD\$28.90/t. A complete list of the assumptions used in this model can be found in Table 1. Since the analysis is based on a cash flow estimate, it could be expected that actual financial results may vary from these predictions.

Table 1: Model Assumptions

- Target Annual Production rate 2.8 Mt/yr
- Life of Mine 40 years
- Years of Construction 3
- Construction Start-up 2013
- Mining Start-up 2016
- Years to Full Secondary Production 6
- Long Term Potash Price (FOB Gate) \$511 US/tonne
- Assumed Exchange Rate US\$/CAD\$ 1.00
- Taxes and Royalties \$28.90 CAD/tonne

Mineral Properties (Continued)

Saskatchewan (Continued)

Table 1: Model Assumptions (Continued)

- Sustaining CAPEX Rate % 2.0%
- Base Case 100% Equity
- OPEX \$62.35 CAD/tonne
- Initial CAPEX \$2.458 Billion CAD
- Port CAPEX \$300 Million CAD
- Total Initial CAPEX \$2.758 Billion CAD
- NPV (10) \$4.14 Billion CAD
- IRR 22.7%
- Payback Period 5 Years

The Study includes all facilities required to operate a potash solution mine, including a cavern and well field layout, a two-train multiple effect evaporation-crystallization plant, a dry processing plant, product storage, load out and all other necessary site infrastructure. This design was detailed to a sufficient level to allow the capital cost estimate to be upgraded to AACE “Class 4” standard. The annual production rate can be expanded to a higher annual production rate, achievable through a higher level of capital expenditure.

This Study was intended to provide a high degree of project definition, building on the Scoping Study completed in 2010. The Prefeasibility Study commenced with the completion of tradeoff studies where important design options were investigated. Ultimately a single plant design was identified, which was carried through the Study. Agapito Associates, Inc. was contracted by the Company to complete the Solution Mining Design for the Study, which included a solution mining plan and schedule, well field design, cavern layout and recovery modeling, and subsidence analysis. AAI’s experience includes work for Intrepid Potash Inc. in the US, Rio Tinto and Vale at the PRC project in Argentina, and work for several prospective potash projects located in Saskatchewan.

Capital and operating cost estimates were generated with a target accuracy of $\pm 20\%$, typical for this level of Study. The initial CAPEX estimate for the plant is \$2.758B CAD, including allowances for port infrastructure, water supply pipeline, and off site railway. An allowance of \$300M CAD has been included for port infrastructure which was excluded from the Company’s Scoping Study completed in 2010. Construction is assumed to take place over a three year period, with production beginning in project year three. Full primary and secondary production will be achieved over a six year ramp up period.

The Project unit operating costs were estimated to be \$62.35 CAD/tonne at full production capacity. These operating costs include estimates for labor, maintenance, power, natural gas, water, consumables, diesel, and uncapitalized well field operations. Operating costs do not include taxes, royalties, or the costs associated with transportation to port and ship loading. Sustaining capital has been projected to remain flat at 0.5% of replacement cost for the first 10 years of operations. Sustaining capital ramps up from 0.5% to 2.0% of replacement cost between years 14 and 23 of the Project.

Mineral Properties (Continued)

Saskatchewan (Continued)

The Study resulted in significant advancement of the level of definition of the project. The Milestone Project remains economically very strong with no known limitations that may prevent a successful and profitable project outcome. The Study recommends immediate commencement of a Feasibility Study which will adhere to the AACE “Class 3” classification for projects.

The Company will file an updated NI 43-101 Technical Report with Canadian securities regulators within 45 days of the announcement of the receipt of this Study, and this will be available on SEDAR at www.sedar.com. This Technical Report will include an updated Mineral Resource Statement.

Brazil

During 2008, the Company signed an agreement with Amarillo Gold Corporation (Amarillo”), a company related by a common director, to acquire potash mineral rights in Brazil. As per the terms of the agreement, Amarillo, through its Brazilian subsidiary, acquired, on behalf of the Company, 113 potash permits totaling 982,962.73 hectares within potash prospective portions of the Brazilian Amazon Basin during the reporting period. These potash permits are currently being transferred into the Company’s Brazilian wholly owned subsidiary, Potássio Ocidental Mineração Ltd. (“Subsidiary”). The Subsidiary also acquired a total of 53 potash permits, totaling 491,245.85 hectares within the Amazon Basin during the period.

Qualified Persons

The in-house qualified persons responsible for the review of the technical content of this Management Discussion and Analysis are J. Patricio Varas, P. Geo., President and CEO and director and Dean Pekeski, P. Geo., Vice President Explorations of Western Potash Corp.

Outstanding Share Data

The following details the share capital structure as of December 28, 2011

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	-	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	-	465,606
Fair value of warrants transferred from contributed surplus	-	6,976,177
Balance, December 28, 2011 and September 30, 2011	161,045,183	\$ 99,411,312

* 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.

Outstanding Share Data (Continued)

c) *Share Purchase Warrants -*

- i) As at December 28, 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 December 28, 2011, September 30, 2011, 2010 and 2009 and changes during those years is presented below:

Warrants	Weighted Average Outstanding	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, December 28, 2011 and 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.

Outstanding Share Data (Continued)

d) Stock Based Compensation Plan -

- i) As at December 28, 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 16, 2016
425,000	1.34	February 3, 2016
3,449,000	1.16	May 20, 2016
14,989,000		

- ii) A summary of the status of the Company's stock options as at December 28, 2011, September 30, 2011, September 30, 2010, and September 30, 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 **	6,469,000	1.10
Exercised	(1,285,000)	(0.50)
Balance December 28, 2011 and 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 2010 operations 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 2010 operations 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%.

Outstanding Share Data (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 2011 operations 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 2011 operations 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 2011 operations 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 2011 operations 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 December 28, 2011, September 30, 2011, and September 30, 2010 the Company had nil shares held in escrow for various directors.

Risks and Uncertainties

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

Credit risk

Credit risk is the loss associated with a counter party's inability to fulfill 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. Financial instruments included in accounts and other receivables mainly consist of HST/GST

receivable from Canadian Federal government. 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.

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.

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.

Risks and Uncertainties (Continued)

Market risk

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

a) ***Interest rate risk***

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

b) ***Foreign currency risk***

The Company's functional currency for the parent company is the Canadian dollar and major expenditures are transacted in Canadian dollars. However, the Company is subject to foreign exchange risk for transactions in its Brazilian subsidiary, as at September 30, 2011.

c) ***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.

The Company is not a potash producer as of December 19, 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.

Transition to International Financial Reporting Standards

In February 2008, The CICA Accounting Standards Board ("AcSB") confirmed the changeover to International Financial Reporting Standards ("IFRS") from Canadian GAAP will be required for publicly accountable enterprises effective 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 to be in line with its September 30 year-end and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended September 30, 2011 and an opening balance sheet as at October 1, 2010.

Approach

There are five phases that will be followed to ensure compliance with IFRS as follows: (1) identification of key accounting issues (2) analysis of accounting standards (3) determination of accounting policies (4) implementation and (5) post implementation review. The implementation team consists of an external consultant and internal resources. The implementation team will report to the CFO and the Audit Committee on the progress towards IFRS convergence.

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In progress
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress
Management and employee education and training	On-going process
Quantification of the Financial Statement impact of changes in accounting policies	In process

The Company continues to monitor the deliberations and progress on plans to converge to IFRS by accounting standard setting bodies and securities regulators in Canada.

Transition to International Financial Reporting Standards (Continued)

Training

Members of the Company's finance department have taken steps to become proficient in IFRS, including participating in IFRS training sessions.

Accounting policies impacted

The detailed analysis of the accounting policies impacted by the IFRS convergence has been completed and great effort will be put in the financial statements presentation, as IFRS requires more disclosure. Based on the analysis of expected accounting differences conducted so far, the following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company.

First time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

Impairment (IAS 36, IAS 6)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses where previous adverse circumstances have changed; this is prohibited under Canadian GAAP. Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

Mineral property interests, exploration and evaluation costs (IFRS 6)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

Transition to International Financial Reporting Standards (Continued)

Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change in line items within its financial statements.

Income Taxes

Flow-Through Shares

Flow-through shares are a unique Canadian tax incentive which is the subject of specific guidance under Canadian GAAP. Under Canadian GAAP, the Company accounted for the issue of flow-through shares in accordance with the provisions of CICA Emerging Issues Committee Abstract 146 (“Flow-through Shares”). At the time of issue, the funds received are recorded as share capital. At the time of the filing of the renunciation of the qualifying flow-through expenditures to investors, the Company recorded a deferred tax liability with a charge directly to shareholders’ equity. Also under Canadian GAAP, a portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statement of operations.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through liability and included in trade payables and accrued liabilities. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through liability is reversed, with any difference charged to the statements of the operations as deferred tax expense. A portion of the deferred tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will reduce the deferred tax liability and record a deferred tax recovery.

Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company’s accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Company does not expect this change will have an immediate impact on the carrying value of its assets.

Information systems

The accounting processes of the Company are simple and no major challenges are expected. The Company expects that no historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1. As the Company will perform its accounting under Canadian GAAP from October 2010 to September 2011, it will generate dual accounting under IFRS for this period so that it has the comparatives available at the changeover date.

Transition to International Financial Reporting Standards (Continued)

Impact on the business

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company does not expect that IFRS will have an impact on the requirements or business processes when it enters in flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets. Business processes will be monitored through 2011 to detect unsuspected impact.