



CONSOLIDATED FINANCIAL STATEMENTS

**For the Years Ended September 30, 2010
and September 30, 2009**

WESTERN POTASH CORP.
INDEX FINANCIAL STATEMENTS

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A CHAN AND COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of Western Potash Corp.:

We have audited the consolidated balance sheets of Western Potash Corp. as at September 30, 2010 and September 30, 2009, and the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2010 and September 30, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“A Chan and Company”
Chartered Accountants

Vancouver, BC
January 14, 2011

WESTERN POTASH CORP.
Consolidated Statements of Loss, Comprehensive Loss and Deficit
For the Years Ended September 30, 2010 and 2009

	2010	2009
Expenses:		
Accounting fees	\$ 128,987	\$ 108,697
Amortization	41,932	32,891
Bank charges and interest	9,126	10,566
Consulting fees	1,410,339	1,636,819
Exploration expenses	-	67,035
Filing and regulatory fees	63,692	70,399
Foreign Exchange Loss	5,663	287,854
Investor relations	741,770	605,038
Legal fees	175,344	162,368
Office and miscellaneous	265,432	147,847
Rent, net of recoveries	167,435	100,225
Salaries, wages and benefits	267,850	230,388
Stock based compensation (Note 9(c) &(d)(ii))	8,215,021	618,986
Telephone	52,835	43,112
Travel	648,743	462,201
Loss before other items	(12,194,169)	(4,584,426)
Other Items:		
Interest income	116,197	287,606
Write off of mineral properties and deferred exploration costs (Note 6(c))	(280,611)	-
Loss on disposal of investment	(87,786)	-
Unrealized loss on investment (Note 7(a))	(87,990)	-
Gain on dilution of ownership (Note 7(b))	442,269	-
Loss from equity accounted investment (Note 7(b))	(41,537)	-
Loss before income taxes	(12,133,627)	(4,296,820)
Future income taxes recovery (Note 11)	-	842,970
Net Loss and Comprehensive Loss	(12,133,627)	(3,453,850)
Deficit, beginning	(11,566,931)	(8,113,081)
Deficit, ending, to Exhibit "A"	\$ (23,700,558)	\$ (11,566,931)
Weighted Loss per share -basic and diluted	\$ (0.12)	\$ (0.03)
Weighted Average Number of Shares Outstanding	104,210,478	102,709,200

- see accompanying notes -

WESTERN POTASH CORP.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2010 and 2009

	2010	2009
Operating Activities:		
Net Loss, per Exhibit "B"	\$ (12,133,627)	\$ (3,453,850)
Adjustment for -		
Amortization	41,932	32,891
Accrued interest on loans receivable	(75,517)	-
Future income tax recovery	-	(842,970)
Write off of mineral properties and deferred exploration costs	280,611	-
Loss on disposal of investment	87,786	-
Unrealized loss on investment	87,990	-
Gain on dilution of ownership	(442,269)	-
Loss from equity accounted investment	41,537	-
Stock based compensation	8,215,021	618,986
Changes in non-cash working capital -		
Increase in accounts and other receivables	(829,343)	(612,033)
(Increase) Decrease in prepaid expenses	10,928	(29,501)
Increase (Decrease) in accounts payable and accrued liabilities	8,812	(815,585)
Cash flows used in operating activities	(4,706,139)	(5,102,062)
Investing Activities:		
Acquisition of equipment	(107,808)	(21,548)
Acquisition of mineral properties and deferred exploration costs	(13,286,924)	(10,005,440)
Acquisition of investment	(202,000)	(750,000)
Deposit	(90,900)	(22,285)
Proceeds on sale of investment	1,245,212	1,505,272
Proceeds on loans receivable	4,727,000	-
Payments on loans receivable	(2,127,000)	(330,000)
Deconsolidation of Discovery Harbour Resources Corp.	128,915	-
Term deposits	140,336	(4,781,506)
Cash flows used in investing activities	(9,573,169)	(14,405,507)
Financing Activities		
Issuance of share capital, subscriptions receipts and shares subscribed	617,500	2,641,307
Share purchase buy back for cancellation	-	(1,397,758)
Cash flows from financing activities	617,500	1,243,549
Net decrease in Cash	(13,661,808)	(18,264,020)
Cash and cash equivalents, beginning	15,871,119	34,135,139
Cash and cash equivalents, ending	\$ 2,209,311	\$ 15,871,119

- see accompanying notes -

WESTERN POTASH CORP.
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2010 and 2009

Exhibit "C"
Continued

	2010	2009
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Non-cash activities:		
(i) nil shares issued at fair value in pursuant of mineral properties option agreement for the year ended September 30, 2010 (300,000 shares for the year ended September 30, 2009)	\$ -	\$ 135,000
(ii) accrual for exploration costs for the year ended September 30, 2010 (\$676,484 for the year ended September 30, 2009)	\$ 347,602	\$ 676,484
<hr/> <hr/>		
Cash and cash equivalents consist of:		
Cash	\$ 2,189,311	\$ 850,036
Bankers acceptances and GIC's	20,000	15,021,083
	<hr/> \$ 2,209,311 <hr/>	<hr/> \$ 15,871,119 <hr/>
<hr/> <hr/>		
Supplemental disclosure of cash flow information:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
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- see accompanying notes -

**WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009**

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 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, 2010, the Company had not yet achieved profitable operations, had an accumulated deficit of \$23,700,558 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its ongoing levels of corporate overhead, keep its property in good standing and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2. Significant Accounting Policies:

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

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

a) Principles of Consolidation -

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Potassio Ocidental M Ltda (a company incorporated in Brazil) and WPX Land Holdings Corp. (a company incorporated in the province of Saskatchewan). All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation.

These consolidated financial statements also include 100% of the operations of Discovery Harbour Resources Corp. ("Discovery Harbour") for the yearended September 30, 2009 and the period from October 1, 2009 to January 28, 2010. As of January 28, 2010, Discovery Harbour's financial statements are no longer consolidated as a result of the issuance of shares to outside interests decreasing the Company's ownership percentage to 10.46%. (Note 7(b))

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

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, 2010 and 2009

2. Significant Accounting Policies: (Continued)

f) Basic and Diluted Loss Per Share -

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented.

For the years ended September 30, 2010 and September 30, 2009 potentially dilutive common shares relating to options and warrants outstanding totalling 50,033,600 at September 30, 2010 (September 30, 2009: 50,815,155) were not included in the computation of loss per share because their effect was anti-dilutive

g) Stock-based Compensation -

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

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

h) Mineral Properties -

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

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

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

2. Significant Accounting Policies: (Continued)

i) Financial Instruments -

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

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

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

j) Foreign currency translation -

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

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

k) Asset Retirement Obligations -

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at September 30, 2010 and September 30, 2009, 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.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

2. Significant Accounting Policies: (Continued)

m) Capital Disclosures -

The AcSB issued CICA Handbook Section 1535 "Capital Disclosures" The section specifies the disclosure of (a) an entity's objectives, policies, and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with capital requirements; and (d) if it has not complied, the consequences of such non compliance. This new section relates to disclosures and will not have an impact on the Company's financial results. (See Note 13 for Capital Disclosures)

n) Use of Estimates -

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

3. Adoption of New Accounting Standards:

Effective October 1 2009, the Company adopted two new Canadian Institute of Chartered Accountants ("CICA") accounting standard: (i) Amended Handbook Section 3862, "Financial Instruments - Disclosures"; and (ii) EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities".

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

a) Financial Instruments - Disclosures, Amended Section 3862 -

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.

b) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173 -

In January 2009, the CICA has approved EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The guidance clarified that an entity's own credit risk and the credit risk of the counter-party should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of this standard has not impacted the Company's financial statements.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

4. New Accounting Pronouncements:

a) International Financial Reporting Standards ("IFRS") -

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies and partnerships. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date.

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

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

5. Equipment:

	Cost	Accumulated Amortization	2010 Net	2009 Net
Automobiles	\$ 89,587	\$ 52,274	\$ 37,313	\$ 53,304
Computer software	20,876	20,303	573	9,865
Furniture and fixtures	59,135	5,914	53,221	1,637
Leasehold improvements	47,526	9,505	38,021	-
	\$ 217,124	\$ 87,996	\$ 129,128	\$ 64,806

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

6. 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	Brazil Property	Total
Balance as at September 30, 2008	\$ 7,473,402	\$ 68,274	\$ -	\$ 7,541,676
Deferred Exploration Expenditures				
Assaying	13,856	46,032	-	59,888
Drilling & supplies, rig servicing, well logging & testing, and site prep & reclamation	3,276,148	3,921,718	-	7,197,866
Equipment rental and tool supplies	360,812	367,337	-	728,149
Geological consulting	187,655	315,475	218,918	722,048
Geophysical consulting and seismic	184,462	432,224	-	616,686
Property filings & performance deposits	33,342	3,300	-	36,642
Vehicle rental and hauling	208,724	271,928	-	480,652
	4,264,999	5,358,014	218,918	9,841,931
Acquisition Expenditures				
Cash	321,861	518,132	-	839,993
Shares	135,000	-	-	135,000
Balance as at September 30, 2009	12,195,262	5,944,420	218,918	18,358,600
Deferred Exploration Expenditures				
Assaying	-	72,540	-	72,540
Drilling & supplies, rig servicing, well logging & testing, and site prep, reclamation & others	-	5,686,298	61,693	5,747,991
Equipment rental and tool supplies	-	247,831	-	247,831
Geological consulting	-	805,250	-	805,250
Geophysical consulting and seismic	-	3,317,235	-	3,317,235
Vehicle rental and hauling	-	326,552	-	326,552
Written-off	-	-	(280,611)	(280,611)
	-	10,455,706	(218,918)	10,236,788
Acquisition Expenditures				
Cash	73,025	2,367,618	-	2,440,643
Shares	-	-	-	-
Balance as at September 30, 2010	\$ 12,268,287	\$ 18,767,744	\$ -	\$ 31,036,031

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

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

a) Manitoba Potash Property

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

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

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

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

On September 9, 2008, the Company was granted potash exploration permit No. QP 172 by STEM. The permit, covering 49,000 hectares is located immediately south, and is contiguous with the Company's Russell Miniota property, and lies 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 Ferreira
- The reduction from 150,000 additional shares to be issued by June 27, 2012 to nil.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

Exhibit "D"
Continued

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

a) Manitoba Potash Property (Continued)

Pursuant to the Manitoba Option Agreement and earlier addendum to the Manitoba Option Agreement dated October 22, 2007 with 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
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Exhibit "D"
Continued

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

a) Manitoba Potash Property (Continued)

Option General

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

Second Option

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

Net Productivity Royalty

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

Surrender of Permits

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

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

b) Saskatchewan Potash Property

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

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

c) Brazil Property

On July 28, 2008 the Company signed an agreement with Amarillo Gold Corporation ("Amarillo"), a company related by two common directors, to acquire Potash and Bauxite mineral rights in Brazil. As per terms of the agreement, Amarillo, through its Brazilian subsidiary, would acquire, on behalf of the Company, exploration rights for potash and bauxite over acreage in the Brazilian Amazon Basin, then vending these exploration rights into a new Western Potash Brazilian subsidiary(s) ("WPXA"). Under the terms of the agreement the Company would pay for all direct and indirect expenses incurred by Amarillo in connection with the acquisition of the potash and bauxite exploration rights in Brazil. During the year ended September 30, 2009, the Company paid \$150,000 to Amarillo for assisting the Company in applying for potash and bauxite exploration rights in Amazon Basin. Amarillo also returned the deposit in investment of \$1,500,000 to the Company after deducting direct expenses in applying for these permits and after converting the Brazilian Real into Canadian funds. During the year ended September 30, 2010, the Company wrote off \$280,611 in deferred exploration expenditures.

7. Investments:

	2010	2009
Sirius Exploration PLC (a)	\$ 679,012	\$ 2,100,000
Discovery Harbour Resources Corp. (b)	160,463	-
La Camera Mining Inc. through Discovery Harbour	-	750,000
	\$ 839,475	\$ 2,850,000

a) Sirius Exploration PLC

On July 14, 2008 the Company participated in a private placement of a private junior potash exploration company, AusPotash Corporation, which owned several potash concessions in Australia. The Company acquired 1,000,000 units at \$0.10 per unit, with each unit made up of one share and one full warrant, each warrant exercisable at \$0.20 per share for a period of one year expiring July 14, 2009. On July 23, 2008 the Company also acquired an additional 6,666,667 units at \$0.30 per unit, with each unit made up of one share and one half (1/2) of one warrant, each full warrant exercisable at \$0.50 per share for a period of one year expiring July 23, 2009. On September 29, 2009, Sirius Exploration PLC, a company listed on the London Stock Exchange AIM market, announced the acquisition of a majority interest (63.5%) in AusPotash Corporation, which acquisition included the tendering by the Company of all of its shares in AusPotash Corporation. During the yearended September 30, 2010, the Company received 15,333,334 shares of Sirius Exploration PLC. No warrants of AusPotash Corporation were exercised by the Company. Shares of Sirius Exploration PLC are held for trading financial assets which trade on the AIM market of the London Stock Exchange under the stock symbol SXX., and are measured at their quoted fair market value with unrealized loss of \$87,990 recognized in net loss for the year.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
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7. Investments: (Continued)

b) Investment in Discovery Harbour Resources Corp.

The Company has invested in shares of Discovery Harbour Resources Corp., a private company. The Company recorded its investment in Discovery Harbour on a fully-consolidated basis until January 28, 2010. Effective January 28, 2010, Discovery Harbour issued a total of 19,315,000 common shares, which resulted in the Company's ownership in Discovery Harbour decreasing from 100% to 10.46% and a reported gain on dilution of \$442,269. For the period of January 28, 2010 to June 1, 2010, the Company no longer had a controlling interest in Discovery Harbour, but had a controlling representation of the board, and therefore, had significant influence. Therefore, the investment was recorded using the equity method until June 1, 2010. Effective June 1, 2010, the Company lost a controlling representation of the board; therefore, no longer had significant influence over Discovery Harbour. As a result, shares of Discovery Harbour were classified as an available for sale financial assets which did not have a quoted price in an active market, and were measured at cost at initial recognition. The company had 2,020,001 shares @ \$0.10 of 19,315,001 total shares issued as at September 30, 2010.

Cost	\$ 202,000
Share of net Loss	<u>(41,537)</u>
	<u>\$ 160,463</u>

8. Loans Receivable

	2010	2009
Universal Wing Technologies Inc. through Discovery Harbour	\$ -	\$330,000
Discovery Harbour Resources Corp.(a)	3,100,000	-
Pennant Energy Inc. (b)	275,000	-
Arctic Star Diamond Corp. (c)	25,000	-
Accrued interest	75,517	-
	<u>\$ 3,475,517</u>	<u>\$330,000</u>

(a) Discovery Harbour Resources Corp.

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

On June 8, 2010 and September 1, 2010, the Company advanced an unsecured line of credit of up to \$800,000 to Discovery Harbour Resources Corp. The loan bears an annual interest rate of 11%.

The loan is due on demand within forty five calendar days from the date written notice is delivered to the corporate offices of Discovery Harbour Resources Corp. The loan is measured at amortized cost which approximates its carrying value due to its short term nature.

(b) Pennant Energy Inc.

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

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

8. Loans Receivable: (Continued)

(c) Arctic Star Diamond Corp.

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

9. Share Capital:

a) Authorized -

Unlimited Common shares without par value.

b) Issued and Fully Paid -

	Number	Amount
Balance September 30, 2008	99,121,533	\$ 45,055,121
Flow-through private placement @ \$0.33 (i)	8,514,850	2,809,900
Renunciation of Flow-through tax benefit to shareholders (i)	-	(842,970)
Share issuance costs (i)	-	(168,593)
Share purchase buy back (ii)	(4,900,000)	(2,171,315)
Shares issued per option agreement (Note 6a)	300,000	135,000
Balance September 30, 2009	103,036,383	44,817,143
Exercise of broker warrants @ \$0.50 per share	1,235,000	617,500
Fair value of broker warrants transferred from contributed surplus (Note 10)	-	392,369
Balance September 30, 2010	104,271,383	\$ 45,827,012

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

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

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

ii) Normal Course Issue Bid -

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

The cost to buy back the cancelled shares was less than their assigned value and the difference of \$773,557 has been credited to Contributed surplus.

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

c) Share Purchase Warrants -

- (i) As at September 30, 2010, the Company had warrants outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price per Share	Expiry Date
40,228,600	0.75	April 15, 2011

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

	Warrants Outstanding	Weighted Average Exercise Price
Balance, September 30, 2008 & 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

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

d) Stock Based Compensation Plan -

- (i) As at September 30, 2010, the Company had compensation and stock options outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price per Share	Expiry Date
7,000,000	0.50	May 6, 2013
805,000	0.50	May 19, 2014
1,000,000	0.50	December 1, 2014
1,000,000	0.50	June 1, 2015
9,805,000		

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

d) Stock Based Compensation Plan - (Continued)

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

	Options Outstanding	Weighted Average Exercise Price
Balance September 30, 2008	7,600,105	\$ 1.10
Granted	805,000	0.50
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

On May 19, 2009 the Company granted 805,000 stock options at an exercise price of \$0.50 to its employees and consultants, exercisable at any time on or before May 19, 2014. The fair value of these stock options is determined to be \$320,602 using the Black Scholes option pricing model using the current assumptions of risk free interest rates of 2.25%, expected life of 5 years, expected volatility of 126.7% and a dividend rate of 0%.

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

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

As at September 30, 2010, none of the above stock options have been exercised.

e) Escrow shares -

As of September 30, 2010 the Company had nil shares held in escrow for various directors (September 30, 2009 - 7,849,392).

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

Exhibit "D"
Continued

10. Contributed Surplus:

Balance, September 30, 2008	\$ 7,646,368
<hr/>	
Fair value of compensation options issued and amendment of terms	618,986
Repurchased shares (Note 9(b)(ii))	773,557
<hr/>	
Balance, September 30, 2009	9,038,911
Broker's warrants exercised(392,369)	
Amendment to warrants(Note 9(c))7,522,538	
Fair value of compensation options issued (Note 9(d)(ii))	692,483
<hr/>	
Balance, September 30, 2010	\$ 16,861,563
<hr/>	

11. Income Taxes:

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

	2010	2009
Statutory tax rate	29 %	30%
<hr/>		
Loss for the year	\$ (12,133,627)	\$ (4,296,820)
<hr/>		
Income tax expense (recovery)	(3,518,752)	(1,289,046)
Net adjustments for amortization, deductible and non-deductible items	2,275,889	56,472
<hr/>		
Expected income taxes recovery	(1,242,863)	(1,232,574)
Effect of tax rate reductions and estimates	542,743	34,835
Valuation allowance for future assets	700,120	354,769
<hr/>		
Future income taxes recovery	\$ -	\$ (842,970)
<hr/>		

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

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
September 30, 2010 and 2009

11. Income Taxes: (Continued)

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

	2010	2009
Non-capital and capital losses carried forward	\$2,554,977	\$ 1,880,266
Cumulative exploration and development expenditures	(847,020)	(1,087,160)
Others	331,778	546,510
Valuation allowance for future tax assets	(2,039,735)	(1,339,616)
Total Future Tax Assets	\$ -	\$ -

At September 30, 2010, the Company has non-capital losses carried forward for Canadian income tax purposes totalling approximately \$10,000,000, which will expire through to 2030 and may be applied against future taxable income. The Company also has approximately \$383,000 of capital losses that may be carried forward and applied against future capital gains. In addition, the Company has approximately \$27,625,000 of exploration and development costs which are available for deduction against future income for tax purposes.

At September 30, 2010, 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.

12. 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 (See Note 14(b)).

	2010	2009
Management, consulting and accounting fees	\$ 870,800	\$ 968,037
Geological consulting fees	-	150,000
Rent charged to related party companies	163,859	108,922

Accounts payable balances at September 30, 2010 were outstanding to related companies in the amount of \$31,990 (September 30, 2009: \$118,235).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. (See Notes 7(b), 8, & Note 14).

WESTERN POTASH CORP.
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September 30, 2010 and 2009

13. Capital Disclosures

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets. As at September 30, 2010, the Company has not entered into any debt financing.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company had sufficient capital resources during the year to meet its operating requirements to complete its drilling program at the Milestone Property but will require further capital financing to complete its Pre-feasibility study at its Milestone Property.

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

14. Commitments and Contractual Agreements:

- a) On August 1st, 2007 as amended June 1, 2008, the Company entered into a two years executive consulting agreement with J P Varas Management and Geological Corp., a company controlled by an Officer of the Company. Under the agreement, the Company shall pay a monthly fee of \$17,000 per month plus some other reasonable allowances. The agreement shall automatically renew for one year. If the agreement is terminated by the Company without cause, it is required to pay between 12 months to 24 months of monthly fees plus a certain amount calculated based on bonus paid within a 12 month period at the time of termination.
- b) On October 29, 2008, the Company agreed to sublease a premises located at 701 West Georgia Street, Vancouver BC, commencing January 1, 2009 and expiring June 29, 2014. The premises consists of 4,552 square feet of rentable area and has a basic rental fee of \$32.00 per square feet per annum plus GST. Additional rent for the Company's proportionate share of building property taxes and operating expenses are estimated to be \$19.43 per square foot per annum plus applicable taxes.
- c) On May 4, 2010, the Company agreed to sublease another premises located at 701 West Georgia Street, Vancouver BC, commencing July 1, 2010 and expiring June 30, 2014. The premises consists of 3,260 square feet of rentable area and has a basic rental fee of \$32.00 per square feet per annum plus applicable taxes.

WESTERN POTASH CORP.
Notes to Consolidated Financial Statements
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14. Commitments and Contractual Agreements: (Continued)

- d) On November 5, 2009, the Company agreed to sublease a premises located at 1545B McAra St., Regina, Saskatchewan, commencing November 15, 2009 and expiring November 14, 2014. The premises consists of 1,800 square feet of rentable area and has a minimum monthly rental fee of \$2,200 plus applicable taxes.

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

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

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

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

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

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

- b) Credit risk

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

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

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, 2010, the Company had a cash and cash equivalent balance of \$2,209,311 to settle current liabilities of \$607,461. 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.

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, 2010.

iii) Commodity price risk

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

WESTERN POTASH CORP.
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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, 2010; therefore, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

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:

	2010	2009
Assets		
Canada	\$ 39,569,021	\$ 43,079,124
Brazil	26,457	162,674
	\$ 39,595,478	\$ 43,241,798

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the September 30, 2010 financial statement presentation.

18. Subsequent Events

- a) 6,973,800 warrants with an exercise price of \$0.75 per share were exercised.
- b) 105,000 stock options with an exercise price of \$0.50 per share were exercised.
- c) The Company granted a total of 2,500,000 stock options under its Stock Option Plan at an exercise price of \$1.10 per share to directors, officers, consultants and employees of the Company, subject to the approval of the TSX Venture Exchange.
- d) The Company closed its private placement bought deal offering. The Company sold 18,182,000 units (the "Units") at a price of \$1.10 per Unit, for aggregate gross proceeds to the Company of \$20,000,200 (the "Offering"). Each Unit consists of one common share 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. All securities issued under the Offering are subject to a hold period ending April 22, 2011. In consideration for the underwriters' services, the underwriters received a cash commission of 6.0% of the aggregate gross proceeds of the Offering. In addition, the underwriters received an aggregate of 1,272,740 non-transferable common share purchase warrants, each exercisable to acquire one Unit at a price of \$1.10 per warrant at any time up to and including the close of business on June 21, 2013.