



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended

SEPTEMBER 30, 2009

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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, 2009. It has been prepared as of January 28, 2010 and includes financial and other information up to the date of this report. The MD&A should be read in conjunction with the audited financial statements and notes thereto of the Company for the year ended September 30, 2009. 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 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 24 - 25 for other risks and uncertainties).

Overview:

The year ended September 30th, 2009 was the Company's second full year of operations. During the year the Company completed a flow-through private placement for proceeds of \$2,809,900 through the issuance of 8,514,850 shares. The Company also announced the completion of its Normal Course Issuer Bid on March 20th, 2009. 4,900,000 shares were purchase by the Company and subsequently cancelled.

During the fiscal year and up until the date of this report the Company continued exploration activities at its Russell – Miniota property in Manitoba and at its Milestone property in Saskatchewan. Exploration in Manitoba included the completion of 2-D ground seismic geophysical surveys on its Manitoba Properties totaling 10.7 line kilometers. During the year the Company also completed four exploratory drilling wells totaling 4,566 m. At its Milestone property in Saskatchewan, the Company completed 179 line kilometers of 2-D seismic geophysics and purchased 284 line Km of additional 2-D seismic. The Company also completed four exploratory wells totaling 7,198 m.

During 2009, the Company announced an expansion of the exploration program on the Milestone property, agreeing to drill more wells and subsequently begin an initial resource calculation. Drill testing, seismic and geochemical analysis, at the Milestone property, continue to underline the remarkable persistence of the potash beds in the region, as well as to indicate that the thicknesses and grades obtained by geochemical sampling. Down-hole gamma ray logging are comparable with those mined at a nearby large commercial solution mining operation. The Company feels that it has now demonstrated regional continuity of all three potash members, over an 18 km of strike length.

Subsequent to the 2009 year end, the Company's board approved an \$8.5 million CAD budget to advance exploratory work and to further define a compliant mineral resource. A continuing phase of exploration would include an additional 5 well drill program and additional 2D and 3D seismic surveys. It is expected that the completion of this next phase will allow the Company to commission an independent 43-101 upgraded resource estimate on the Milestone property.

In October, 2009, the Company announced that it had engaged Agapito and Associates Inc. of Golden, Colorado to complete an NI43-101 compliant inferred resource calculation and report based on the results of the initial four wells drilled on the Milestone project.

Description of Business:

Western Potash Corp. was incorporated on 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 and exploration of potash mineral properties in Western Canada. 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 properties are in the exploratory phase and do not contain any measured potash resources and have no mineral production that yields any revenues.

Selected Annual Information:

The following table presents financial information for the years ended September 30, 2009 and September 30, 2008.

	For the Year Ended September 30, 2009	For Year Ended September 30, 2008
Total revenues	\$ -	\$ -
Interest income	287,606	685,719
Net Loss	3,453,850	8,030,459
Basic and diluted loss per share	0.03	0.116
Total assets	43,241,798	45,680,184
Total long-term liabilities	-	-
Total current liabilities	952,675	1,091,776
Cash dividends	-	-

Review of Financial Results:

Net Loss

During the year ended September 30, 2009 the Company incurred a loss of \$3,453,850 (0.03 per Common Share) as compared to a loss of \$8,030,459 (\$0.116 per Common Share) for the year ended September 30, 2008. The decrease in net loss was mainly the result of a decrease of \$6,128,136 for stock-based compensation. Stock based compensation decreased from \$6,747,122 from the year ended September 30, 2008 to \$618,986 for the year ended September 30, 2009. The decrease was attributable to the Black-Scholes valuation of the stock-based compensation granted to the Company's management, directors, employees and consultants.

Review of Financial Results: (Continued)

General and Administrative

General and administrative expenses (“G&A”) decreased by \$4,403,312 from \$8,987,738 for the year ended September 30, 2008 to \$4,584,426 for the year ended September 30, 2009. The decrease in G&A was primarily attributable to a decrease in stock-based compensation of \$6,128,136. Stock based compensation was \$618,986 compared to \$6,747,122 in the prior year. The valuation of stock-based compensation granted to the Company’s directors, employees and consultants was based on the Black-Scholes option valuation model. Consulting fees were \$1,636,819 compared to \$953,195 in the prior year. The increase was mainly attributable to the addition of management and technical consultants to advance the Company’s Manitoba and Saskatchewan properties. Foreign exchange loss was \$287,854 compared to \$nil in the prior year. The loss was related to the Company’s Brazilian property and due to the recent depreciation of Brazilian Real. Investor relations expense was \$605,038 compared to 437,917 in the previous year. The increase was due to additional investor relations fees, conferences and communication expenditures required to promote the Company’s exploration activities in its second full year of operations. Salaries, wages and benefits were \$230,388 compared to \$27,650 in the prior year due to the addition of several staff members.

Interest Income

Interest income was \$287,606 compared to \$685,719 in the prior period. The decrease was due to a decrease in cash, cash equivalents and term deposits, and lower interest rates for short term interest bearing securities.

Summary of Quarterly Results:

Expressed in thousands of Canadian dollars

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

	Three months ended September 30, 2009	Three months ended June 30, 2009	Three months ended March 31, 2009	Three months ended December 31, 2008
Interest Income	\$ 10,816	\$ 13,370	\$ 20,872	\$ 242,548
Future income tax recovery	-	-	-	842,970
Operating Expenses	1,397,003	1,431,609	1,100,453	655,361
Net Income (Loss)	(1,434,286)	(1,418,239)	(1,079,581)	478,256
Earnings (Loss) per share	(0.014)	(0.014)	(0.010)	.005
Fully diluted earnings (loss) per share	(0.014)	(0.014)	(0.010)	.003

	Three months ended September 30, 2008	Three months ended June 30, 2008	Three months ended March 31, 2008	Three months ended December 31, 2007
Interest Income	\$ 264,020	\$ 256,027	\$ 154,892	\$ 10,780
Future income tax recovery	271,560	-	-	-
Operating Expenses	1,095,504	7,368,627	394,261	(129,346)
Net Income (Loss)	(559,924)	(7,112,600)	(239,369)	(118,566)
Earnings (Loss) per share	(.017)	(.092)	(.004)	(.003)
Fully diluted earnings (loss) per share	(.017)	(.092)	(.004)	(.003)

Liquidity and Capital Resources:

Cash Resources and Liquidity

As at September 30, 2009, the Company had cash and cash equivalents of \$15,871,119 and working capital of \$20,663,432. 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 operations.

Future cash requirements will 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. It is therefore very difficult to predict future cash requirements. As of the date of this report, the Company is sufficiently funded to maintain its current properties and to carry out the planned exploration programs for 2009, but will require to finance or to embark in joint ventures to develop a mine on the properties.

Financing Activities

The Company has raised approximately \$44 million 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 September 30, 2009.

The Company reported working capital of \$20,663,432 as at September 30, 2009, compared to working capital of \$33,365,311 as at September 30, 2008, representing a decrease in working capital of \$12,701,879. The Company had net cash on hand of \$15,871,119 as at September 30, 2009, compared to \$34,135,139 as at September 30, 2008. Net cash on hand decreased by \$ 18,264,020 primarily from the Company's exploration costs associated with its Manitoba, Saskatchewan, and Brazil properties. Cash has also decreased due to the Company's investments of \$4,781,506 in term deposits maturing between three and twelve month, compared to \$nil in the prior year.

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.

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.

	September 30, 2009	September 30, 2008
IPO including over-allotment	-	23,004,025
Private placements	2,809,900	19,113,500
Exercise of warrants	-	3,838,175
Exercise of compensation options	-	720,126
Exercise of stock options	-	-

Liquidity and Capital Resources: (Continued)

Investment Activities:

Mineral properties and deferred exploration cost totaled \$18,358,600 as compared to \$7,541,676 as at September 30, 2008. The increase reflects the Company's continued exploration activities at its Russell – Miniota property in Manitoba, its Milestone property in Saskatchewan, and its acreage in the Amazon Basin in Brazil.

Exploration in Manitoba included the completion of 2-D ground seismic geophysical surveys on its Manitoba Properties totaling 10.7 line kilometers. During the year the Company also completed four exploratory drilling wells totaling 4,566 m.

At its Milestone property in Saskatchewan, the Company completed 179 line kilometers of 2-D seismic geophysics and purchased 284 line Km of additional 2-D seismic. The Company also completed four exploratory wells totaling 7,198 m. During 2009, the Company announced an expansion of the exploration program on the Milestone property, agreeing to drill more wells and subsequently begin an initial resource calculation. Drill testing, seismic and geochemical analysis, at the Milestone property, continue to underline the remarkable persistence of the potash beds in the region, as well as to indicate that the thicknesses and grades obtained by geochemical sampling. Down-hole gamma ray logging are comparable with those mined at a nearby large commercial solution mining operation. The Company feels that it has now demonstrated regional continuity of all three potash members, over an 18 km of strike length.

The Company's exploration activity on its Brazilian property consisted of \$218,918 in geological consulting expenses.

Investments totaled \$2,850,000 as compared to \$2,100,000 as at September 30, 2008. The \$750,000 increase was the result of the Company's Mexican Investment.

On April 2, 2009, the Company subscribed in a private placement for shares of La Camera Mining Inc. La Camera Mining Inc. is an unlisted junior mining exploration company focused on exploring mineral properties adjacent to Goldcorp Inc.'s Los Filos mine in the Guerrero gold belt in Mexico. Discovery Harbour subscribed for a total of 1,875,000 Common Shares for an aggregate subscription price of \$750,000. (\$0.40 per Common Share). The Subscription Agreement contains a provision for one Penalty Warrant to be issued for each Common Share subscribed for. As of August 5th, 2009, the Penalty Warrants were convertible into Common Shares resulting in an additional 1,875,000 shares due to be issued to the Company for no further consideration, as per the terms of the Subscription Agreement.

During the prior year, the Company participated in a \$2,100,000 private placement of a private junior potash exploration company, AusPotash Corporation, which owned several potash concessions in Australia. On September 29, 2009, Sirius Exploration PLC, a company listed on the London Stock Exchange AIM market, announced the acquisition of a majority interest (63.5%) in AusPotash Corporation, which acquisition included the tendering by the Company of all of its shares in AusPotash Corporation. Subsequent to fiscal year end, the Company received 15,333,334 shares of Sirius Exploration PLC. No warrants of AusPotash Corporation have been exercised by the Company.

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 four companies related by common directors, rental income for sharing office it sub-leased at West Georgia, Vancouver.

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

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

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

See also Commitments and Contractual Obligations” below.

Commitments and Contractual Obligations:

On August 1st, 2007 as amended June 1, 2008, the Company entered into a 2 years executive consulting agreement with J P Varas Management and Geological Corp., a company controlled by an Officer of the Company. Under the agreement, the Company shall pay a monthly fee of \$17,000 per month plus some other reasonable allowances. The agreement shall automatically renew for one year. If the agreement is terminated by the Company without cause, it is required to pay between 12 months to 24 months of monthly fees plus a certain amount calculated based on bonus paid within a 12 month period at the time of termination.

On October 29, 2008, the Company agreed to sublease a premises located at 701 West Georgia Street, Vancouver BC, commencing January 1, 2009 and expiring June 29, 2014. The premises consists of 4,552 square feet of rentable area and has a basic rental fee of \$32.00 per square feet per annum plus GST. Additional rent for the Company's proportionate share of building property taxes and operating expenses are estimated to be \$19.43 per square foot per annum plus GST for 2008. The minimum lease payments for the fiscal years ended September 30 are as follows:

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

Additional Disclosures:

Commitments and Contractual Obligations: (Continued)

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

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

Off Balance Sheet Arrangements:

The Company has no off balance sheet arrangements.

Subsequent Events:

On October 5 2009, the Company received regulatory approval to extend the expiration date of its \$0.75 warrants from October 15, 2009 to April 15, 2011.

On November 1, 2009, the Company amended its Manitoba Option Agreement with W.S. Ferreira Ltd. ("Ferreira") (See Note 5). Highlights include:

- Deferral of \$200,000 property option cash payments to June 27, 2012
- Deferral of 1,350,000 property option share issuance to June 27, 2012
- No additional exploration expenditures are required on the Manitoba Property to allow the exercise of the options by Ferreira
- The reduction from 150,000 additional shares to be issued by June 27, 2012 to nil.

On January 1, 2010 to Company entered into a contractual agreement with Lockwood Financial Ltd. ("Lockwood") whereby the Company has agreed to pay a monthly consulting fee of \$10,000 per month for an initial term of six months (period ending June 30, 2010). In addition the Company agrees to grant 1,000,000 incentive stock options to Lockwood. TSX Venture approve for this contract was received on January 15, 2010.

2,181,450 warrants at an exercise price of \$0.50 were expired, unexercised. 600,105 stock options at an exercise price of \$1.10 were expired, unexercised.

Critical Accounting Policies and Estimates:

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Discovery Harbour Resources Corp. (a company incorporate in the province of British Columbia), Potassio Ocidental M Ltda (a company incorporated in Brazil) and WPX Land Holdings Corp. (a company incorporated in the province of Saskatchewan but inactive as at September 30, 2009). All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation.

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%

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

Future Income Taxes

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

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 years presented.

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

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 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.

Critical Accounting Policies and Estimates: (Continued)

Financial Instruments

The Company follows CICA Handbook Sections 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Disclosure and Presentation" (replaced effective September 1, 2008 by sections 3862 and 3863), and Section 3865, "Hedges". Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

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

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

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

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

Change in Accounting Policy:

Adoption of New Accounting Standards

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

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.

Change in Accounting Policy: (Continued)

Adoption of New Accounting Standards (Continued)

Assessing Going Concern

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

Capital Disclosures

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

Goodwill and Intangible Assets

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

Financial Statement Concepts

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

Financial Instruments

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

Change in Accounting Policy: (Continued)

Financial Instruments (Continued)

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

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 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.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. The Company is educating its staff by enrolling in various courses throughout the year. The Company is also planning on hiring consultants for a smooth transition. While Canadian GAAP is in many respects similar to IFRS, conversion will result in differences in recognition, measurement, and disclosure in the financial statements. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Equipment
- Mineral properties and deferred exploration costs
- Investments
- Asset retirement obligations
- Impairment of Equipment
- Stock based compensation
- Income taxes; and
- First time adoption of International Financial Reporting Standards (IFRS 1)

The Company will identify the major differences by the end of the first quarter of 2010.

Recent Released Canadian Accounting Standards (Continued)

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.

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.

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.

Asset retirement obligations

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

Mineral Properties:

Saskatchewan

The Milestone project, consisting of 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. During May 2009, the Company relinquished KP-407 as it was determined to be outside the potash zone.

The Milestone project is located approximately 30 km south and southeast of Regina, and to the southeast of the Mosaic Company's Belle Plaine KL-106-R mine, one of the largest producing potash solution mines in the world. The potash permits are adjacent to potash permits held by BHP-Billiton, Vale and Potash One.

During 2009, the Company purchased 166 linear kilometres of two dimensional seismic geophysical data to assist in its interpretation of the salt and potash sequence in the area. Boyd-Petrosearch of Calgary, Alberta provided a review and interpretation of this data, and confirmed the presence of potash prospective salt beds continuing onto Western Potash's permit area. In their report, the eastern portion of the permit area falls well within the salt edge, and provides a sizeable and attractive exploration target covering an area of 185 square kilometres.

During May, 2009, the Company commenced its initial exploration drill program at the Milestone Project. The program targeted potash prospective sequences within the Prairie Evaporite formation, and drilled to define the extent, grade, thickness and type of potash mineralization present on the property.

Between May and July of 2009, the Company drilled four deep exploratory wells namely Milestone 001, 002, 002a, 003 spanning some 15 km and intersecting potash mineralization across three potash bearing members. Geophysical logs from all the wells indicate favorable minimum formation temperatures ranging from 61⁰C to 65.5⁰C , confirming a strong heat anomaly underlying the property. Temperature is important because higher formation temperatures improve the potash dissolution process, and reduce heat input required for the injected brines thereby significantly reducing production costs.

The Company is very encouraged by these results, as the geological setting and mineralization are consistent with characteristics of other potash deposits in Saskatchewan. The high formation temperatures recorded in this part of the potash belt are considered ideal for the economic production of potash from a solution mining operation. In addition, these potash hosting members have very low carnallite and low insoluble contents, which is also very encouraging as they are critical factors for developing a solution mine. Results from wells Milestone-001 to 003 are presented in table 1.

Mineral Properties: (Continued)

Saskatchewan (Continued)

Table 1: Potash thickness and weighted average grade from initial wells at the Milestone Project.

Hole	Potash Member	From (KB, m)	To (KB, m)	Interval (m)	K2O Wt %	MgO Wt %	Best Intercept
Milestone-001	Patience Lake	1661.5	1671.1	9.6	16.77	0.08	20.0 wt% K2O over 6.6m
	Belle Plaine	1673.6	1677.9	4.3	14.42	0.09	18.5 wt% K2O over 2.7m
	Esterhazy	1697	1703	6	19.96	1.2	23.46 wt% K2O over 3.9m
	Total			19.9	17.22	0.42	
Milestone-002	Patience Lake	1680.7	1681	0.3	17.5	0.06	
	Belle Plaine	1697.5	1701.7	4.2	15.59	0.08	18.5 wt% K2O over 2.7m
	Esterhazy	1719.9	1726.2	6.3	22.28	0.06	26.82 wt% K2O over 3.0m
	Total			10.8	19.55	0.07	
Milestone-002A	Patience Lake	1674	1683	9	17.53	0.09	21.21 wt% K2O over 5.4m
	Belle Plaine	1687.35	1691.3	3.9	12.82	0.09	14.18 wt% K2O over 1.8m
	Esterhazy	1710.4	1716.9	6.5	24.1	0.93	30.85wt% K2O and 0.13wt% MgO over 2.4m
	Total			19.4	18.78	0.37	
Milestone-003	Patience Lake	1715.55	1729.5	13.9	18.38	0.09	21.34 wt% K2O over 6.1m
	Belle Plaine	1731.45	1736.3	4.85	18.37	0.09	20.11 wt% K2O over 3.6m
	Esterhazy	1756.15	1761.8	5.6	17.75	1.57	30.17wt% K2O over 1.7m
	Total			24.35	18.23	0.43	

On July 23rd, 2009, the Company announced an expansion of the exploration program on the property, agreeing to drill more wells and subsequently begin an initial resource calculation. The aim of the extended exploration program would be to further define the grade, and size of the potash deposit on the property. The next phase of exploration would include an additional 4 well drill program (subsequently amended to a 5 well program August 24th, 2009) and additional 2D and 3D seismic surveys. An \$8.5 million CAD budget for this work was approved by the Company's board subsequent to the 2009 year end. It is expected that the completion of this 2nd phase will allow the Company to commission an independent 43-101 resource estimate on the Milestone property.

Mineral Properties: (Continued)

Saskatchewan (Continued)

While results from the Milestone-001, Milestone-002, and milestone-002A wells show positive potash mineralization, the Company is compelled to focus its initial resource definition in the vicinity of the Milestone-003 well, where higher potash grades and better thicknesses within the Patience Lake and Belle Plaine members have been demonstrated. A 2D seismic survey over this priority area was carried out in the first quarter of the 2010 fiscal year.

On October 8, 2009, the Company announced that it had initiated a resource definition drill program consisting of 5 wells in the area surrounding the Milestone-003 well which intersected a composite thickness of 24.4m of potash mineralization with a grade of 18.2% wt K₂O, as reported in a press release dated August 24, 2009.

The Company also announced in its October 8, 2009 press release that it had engaged Agapito and Associates Inc. of Golden, Colorado to complete an NI43-101 compliant inferred resource calculation and report based on the results of the initial four well drill program. Agapito and Associates will also complete an NI-43-101 compliant indicated and inferred resource calculation based on the results of the expanded 5 well resource definition drill program, 2D seismic, and 3D seismic surveys.

On December 3, 2009, the Company announced results from the first two wells completed as part of the expanded 5 well, \$8.5 million CAD resource definition program on the Milestone property in southern Saskatchewan (wells Milestone-004 and Milestone-005). These wells are the fifth and sixth wells drilled on the property. Results from these wells are reported in Table 2. Results from the Milestone-005 well are considered of particular interest as very little carnallite was intersected in any of the three potash members, including the Esterhazy member. The presence of carnallite in the Esterhazy member is not unusual in the region, but the absence of carnallite in the Milestone-005 well does suggest that in some areas of the Milestone property parts of the Esterhazy member could be of economic interest.

The Milestone-004 and Milestone-005 are located approximately 3.0 km to the south and north respectively of the Milestone-003 well which reported a composite thickness of 24.4m of potash mineralization with a grade of 18.2% wt K₂O in a press release dated August 24, 2009. A summary of the results from the two most recent wells are presented in Table 2.

Table 2: Potash thickness and weighted average grade from the Milestone-004 and Milestone-005 wells.

Hole	Potash Member	From (KB, m)	To (KB, m)	Interval (m)	K ₂ O Wt %	MgO Wt %	Best Intercept
Milestone-004	Patience Lake	1735.7	1747.8	12.1	17.65	0.09	20.34 wt% K ₂ O over 5.6m
	Belle Plaine	1751.55	1756.75	5.2	18.72	0.09	25.94 wt% K ₂ O over 2.25m
	Esterhazy	1774.95	1781	6.05	15.4	0.38	18.31 wt% K ₂ O over 3.4m
	Total			23.35	17.31	0.17	
Milestone-005	Patience Lake	1703.1	1714.95	11.85	18.34	0.01	21.06 wt% K ₂ O over 6.25m
	Belle Plaine	1719.45	1723.9	4.45	21.25	0.06	25.8 wt% K ₂ O over 2.6m
	Esterhazy	1742.3	1748.25	5.95	21.97	0.06	24.42 wt% K ₂ O over 4.15m
	Total			22.25	19.89	0.08	

Mineral Properties: (Continued)

Saskatchewan (Continued)

The Company points out that the presence, thicknesses and grade of the potash beds in these fifth and sixth wells are similar in tenor and are as encouraging as those seen in previous wells and indicate a remarkable continuity of the potash beds in the region when comparing with the results reported for the first four wells. The Company feels that the thicknesses and grades obtained by geochemical sampling and down hole gamma ray logging are consistent with those mined at the Belle Plaine solution mine and that it has now demonstrated regional continuity of all three potash members, over 18 km of strike length, between the wells drilled to date.

Manitoba

The Russell South property comprising approx. 640 square km, is located approximately 40km southeast of Potash Corp of Saskatchewan's Rocanville mine, and lies adjacent to BHP Billiton's Potash Lease and Agrium's Exploration Permits along the Manitoba-Saskatchewan border.

During 2008, the Company carried out exploration activities on its Manitoba properties that included the completion of nine exploratory wells and the acquisition of several line-km of two-dimensional seismic data. The Company is encouraged by the extent of the mineralization discovered and outlined by holes in the Russell South area, which, together with historical drilling data to the north, and the interpreted seismic data, suggests the presence of an important potash resource adjacent to the St Lazare potash resource controlled by Agrium.

Further two-dimensional seismic geophysics and the completion of additional potash wells are required for the Company to advance and prepare an NI 43-101 compliant resource calculation on the Russell South property. No further work has been planned for the Manitoba properties in the immediate future, as management feels that better value can be attained for the company's shareholders by developing the solution mining amenable Milestone project in Saskatchewan.

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 September 30, 2009:

a) Authorized -

Unlimited Common shares without par value.

b) Issued and Fully Paid -

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

Outstanding Share Data: (Continued)

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

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

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

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

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

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

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

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

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

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

Outstanding Share Data: (Continued)

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

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

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

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

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

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

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

vi) Normal Course Issuer 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.

Outstanding Share Data: (Continued)

c) Share Purchase Warrants -

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

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

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

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

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

d) Stock Based Compensation Plan

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

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

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

Outstanding Share Data: (Continued)

d) Stock Based Compensation Plan (Continued)

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

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

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

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

e) Escrow shares

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

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2009, the Company had a cash and cash equivalent balance of \$15,871,119 to settle current liabilities of \$952,675. All of the Company's significant liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company's operating cash requirements including amounts projected to complete its existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to, available bank lines, results from new wells drilled, commodity prices, cost overruns on capital projects and changes to government regulations relating to prices, taxes, royalties, land tenure, allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Market risk

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

a) Interest rate risk

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

b) Foreign currency risk

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

Risks and Uncertainties: (Continued)

c) Commodity price risk

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

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

d) Sensitivity analysis –

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

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

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

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