IC POTASH CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
IC Potash Corp.

We have audited the accompanying consolidated financial statements of IC Potash Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of IC Potash Corp. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010 and the results of their operations and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 23, 2012

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IC POTASH CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2011	December 31, 2010 (note 3)	January 1, 2010 (note 3)
ASSETS			
Current			
Cash and equivalents	$ 26,403,834	$ 14,040,043	$ 7,358,172
Receivables (note 15)	18,245	19,305	46,672
Prepaid expenses	92,668	37,101	63,238
	26,514,747	14,096,449	7,468,082
Property, plant, and equipment (note 4)	161,392	64,429	149,686
Ochoa project advances (note 5)	110,400	300,000	-
Deposits (note 5)	84,081	86,980	52,697
Exploration and evaluation assets (note 5)	15,702,568	5,518,005	2,131,988
	$ 42,573,188	$ 20,065,863	$ 9,802,453
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities (note 16)	$ 1,886,430	$ 859,334	$ 1,324,260
Shareholders' equity			
Share capital (note 6)	52,389,928	26,662,667	12,305,072
Reserves	5,920,664	2,374,363	683,838
Deficit	(17,623,834)	(9,830,501)	(4,510,717)
	40,686,758	19,206,529	8,478,193
	$ 42,573,188	$ 20,065,863	$ 9,802,453

Nature of operations and going concern (note 1)
Commitments (note 10)

On behalf of the Board:

Signed "George Poling" **Director** ***Signed "Sidney Himmel"*** **Director**

The accompanying notes are an integral part of these consolidated financial statements.

IC POTASH CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31

	2011	2010 (note 3)
EXPENSES		
Administration	$ 546,159	$ 314,786
Business and market development	335,378	169,296
Consulting fees	328,630	574,308
Depreciation	33,585	34,888
Exploration costs	-	14,607
Foreign exchange loss (gain)	(22,293)	384,664
Investor relations	620,814	218,963
Professional fees	673,185	369,195
Rent and storage	79,126	82,112
Regulatory fees	284,215	42,943
Share-based compensation (note 7)	3,843,775	1,724,713
Travel	73,681	179,469
Wages and benefits	1,225,326	1,158,487
Loss before other items	(8,021,581)	(5,268,431)
OTHER ITEMS		
Interest income	237,517	11,426
Loss on disposal of equipment (note 4)	(9,269)	(62,779)
	228,248	(51,353)
Loss and comprehensive loss for the year	$ (7,793,333)	$ (5,319,784)
Basic and diluted loss per common share	$ (0.07)	$ (0.08)
Weighted average number of common shares outstanding	117,228,372	70,434,526

The accompanying notes are an integral part of these consolidated financial statements.

IC POTASH CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31, 2011	2010 (note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (7,793,333)	$ (5,319,784)
Items not affecting cash:		
Depreciation	33,585	34,888
Loss (gain) on disposal of equipment	(9,269)	62,779
Share-based compensation	3,843,775	1,724,713
Unrealized foreign exchange	(22,293)	387,326
Changes in non-cash working capital items:		
Decrease in receivables	1,060	27,367
(Increase) decrease in prepaid expenses	(55,567)	26,137
Increase (decrease) in accounts payable and accrued liablilities	19,580	(149,278)
Net cash used in operating activities	(3,982,462)	(3,205,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(115,919)	(10,342)
Deposits	2,899	(36,945)
Ochoa project advances	(110,400)	(300,000)
Expenditures on exploration and evaluation assets	(8,849,237)	(3,571,251)
Net cash used in investing activities	(9,072,657)	(3,918,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	27,134,638	15,313,535
Share issue costs	(1,738,021)	(1,122,610)
Net cash provided by financing activities	25,396,617	14,190,925
Increase (decrease) in cash and equivalents for the year	12,341,498	7,066,535
Effect of foreign exchange rate changes on cash and equivalents	22,293	(384,664)
Cash and equivalents, beginning of year	14,040,043	7,358,172
Cash and equivalents, end of year	$ 26,403,834	$ 14,040,043

Supplemental disclosure with respect to cash flows (note 9)

The accompanying notes are an integral part of these consolidated financial statements

IC POTASH CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	Amount	Reserves	Accumulated Deficit	Total
		$	$	$	$
Balances as at January 1, 2010	59,397,490	12,305,072	683,838	(4,510,717)	8,478,193
Private Placement	37,500,000	15,000,000	-	-	15,000,000
Share issue costs	-	(990,128)	-	-	(990,128)
Grant of stock options	-	-	1,724,713	-	1,724,713
Exercise of warrants and stock options	557,275	347,723	(34,188)	-	313,535
Loss and comprehensive loss	-	-	-	(5,319,784)	(5,319,784)
Balances as at December 31, 2010	97,454,765	26,662,667	2,374,363	(9,830,501)	19,206,529
Shares issued for cash	12,500,000	20,000,000	-	-	20,000,000
Share issue costs	-	(1,704,851)	-	-	(1,704,851)
Grant of stock options	-	-	3,843,775	-	3,843,775
Exercise of warrants and stock options	11,291,749	7,432,112	(297,474)	-	7,134,638
Loss and comprehensive loss	-	-	-	(7,793,333)	(7,793,333)
Balances as at December 31, 2011	121,246,514	52,389,928	5,920,664	(17,623,834)	40,686,758

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

IC Potash Corp. ("IC Potash" or the "Company") was incorporated under the Canada Business Corporations Act on November 8, 2002. IC Potash's primary business is the acquisition and exploration of exploration and evaluation assets and it is considered to be in the exploration stage. The Company's registered head office is First Canadian Place, Suite 5600, 100 King Street West, Toronto, ON M5X 1C9. The Consolidated Financial Statements ("Financial Statements") are comprised of the Company and its subsidiaries (Note 2). To date, the Company has not earned operating revenue.

On November 30, 2009, the Company acquired 100 percent of the outstanding common shares of Intercontinental Potash Corp. ("ICP"), a company involved in exploration for potash and potash-related minerals that can be processed and converted into Sulphate of Potash ("SOP") and other fertilizers. The acquisition constituted a Reverse Take-over ("RTO") and, although IC Potash is the legal parent of ICP, ICP was deemed to have acquired IC Potash for accounting purposes.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis.

These Financial Statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these Financial Statements.

The Company estimates that it has sufficient working capital to continue operations for the upcoming year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Statement of compliance:**

These Financial Statements have been prepared in accordance with IAS 1 'Presentation of Financial Statements' ("IAS 1") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These Financial Statements are the Company's first IFRS consolidated annual financial statements. Previously, the Company prepared its consolidated financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Pre-changeover GAAP").

The Financial Statements were authorized by the audit committee and board of directors of the Company on February 23, 2012.

b) **Basis of presentation:**

The Financial Statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 2. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Financial Statements are in accordance with IFRS and have been audited.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

b) **Basis of presentation** (cont'd…):

The preparation of these Financial Statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Pre-changeover GAAP. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements. They also have been applied in preparing an opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Pre-changeover GAAP to IFRS is explained in Note 3.

c) **Basis of consolidation:**

The consolidated financial statements of the Company include the following subsidiaries:

Name of subsidiary	Place of incorporation	Percentage ownership
Intercontinental Potash Corp.	Canada	100%
Trigon Exploration Utah Inc.	USA	100%
Intercontinental Potash Corp. (USA)	USA	100%

The Company consolidates the subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies.

All intercompany transactions and balances are eliminated on consolidation.

d) **Cash and equivalents:**

Cash and equivalents comprise cash at banks and short-term, highly liquid deposits with an original maturity of three months or less. Cash and equivalents are readily convertible to known amounts of cash and are subject to insignificant changes in value.

e) **Property, plant, and equipment:**

Property, plant, and equipment ("PPE") is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recorded over the estimated useful lives of the assets on the declining balance basis at the following annual rates:

Furniture and fixtures	20% declining balance
Computer equipment	45% declining balance
Exploration equipment	20% declining balance
Vehicles	30% declining balance

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of PPE is composed of major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The declining balance depreciation rate of computer equipment was changed from 30% to 45% as the Company believes this better reflects the usage. This resulted in higher depreciation expense on computer equipment during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

f) Exploration and evaluation assets:

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

g) Decommissioning, restoration and similar liabilities ("decommissioning liabilities"):

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no decommissioning liabilities as at December 31, 2011, December 31, 2010, or January 1, 2010.

h) Foreign currency transactions:

The Company's reporting currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate. Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss.

i) Related party transactions:

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

j) Significant accounting estimates and judgments:

The preparation of these Financial Statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include the fair value of financial instruments, receivables, deferred income taxes, evaluating the fair value of exploration and evaluation assets, useful lives of equipment, and share-based compensation.

k) Share-based compensation:

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

l) Income taxes:

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the financial position reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the balance sheet liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m) **Loss per share:**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

n) **Financial assets:**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and equivalents and deposits are classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. At December 31, 2011, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

o) **Financial liabilities:**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. At December 31, 2011, the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

p) Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

q) Impairment:

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Where an indicator of impairment exists, the Company makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any provision for impairment is charged to profit or loss in the period concerned. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortization, had no impairments been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

r) Share capital:

Common shares are classified as share capital. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

s) New standards, amendments and interpretations not yet effective:

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2011 and have not been applied in preparing these Financial Statements. None of these are expected to have a material effect on the Financial Statements of the Company.

Financial instruments disclosure
In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Income taxes
In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

Joint ventures
The IASB issued IFRS 11 – Joint Arrangements on May 12, 2011. IFRS 11 eliminates the Company’s choice to proportionately consolidate jointly controlled entities and requires such entities to be accounted for using the equity method and proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The Company is currently evaluating the impact IFRS 11 is expected to have on its Financial Statements.

Consolidation
The IASB issued IFRS 10 - Consolidated Financial Statements in May 2011. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and replaces current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. IFRS 10 has an effective date of January 1, 2013. The Company is currently evaluating the impact the final standard is expected to have on its Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

s) **New standards, amendments and interpretations not yet effective** (cont'd):

Financial instruments
IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning April 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

Fair-value measurement
IFRS 13 - Fair Value Measurement: effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, sets out in a single IFRS a framework for measuring fair value and new required disclosures about fair value measurements. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning April 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 13.

3. TRANSITION TO IFRS

As stated in Note 2, these Financial Statements are for the period covered by the Company's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the Financial Statements for the years ended December 31, 2011 and 2010, and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date".

In preparing the Financial Statements, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Pre-changeover GAAP. An explanation of how the transition from Pre-changeover GAAP to IFRS has affected the Company's financial position is set out in the following tables for the opening statement of financial position at the Transition Date, the statement of financial position as at December 31, 2010, and the statement of comprehensive loss for the year ended December 31, 2010.

The adjustments noted in the statements of financial position and statements of loss and comprehensive loss will have an impact on the statement of cash flows for all periods presented.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

a) to apply the requirements of IFRS 2, Share-based Payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.
b) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arise on adoption of IFRS.
c) to apply the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as at the Transition Date. The Company re-measured all provisions, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This was done using best estimates of the historical risk-adjusted discount rates, and recalculated accumulated depreciation, depletion, and amortization under IFRS up to the Transition Date.
d) to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date.
e) to apply the less onerous transitional provision of IFRIC 4 instead of full retrospective application of IFRIC 4, Leases.

3. TRANSITION TO IFRS (cont'd…)

The reconciliation between the Pre-changeover GAAP and IFRS consolidated statement of financial position as at January 1, 2010 is provided below:

	January 1, 2010			
	Note	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash and equivalents		$ 7,358,172	$ -	$ 7,358,172
Receivables		46,672	-	46,672
Prepaid expenses		63,238	-	63,238
		7,468,082	-	7,468,082
Property, plant, and equipment		149,686	-	149,686
Deposits		52,697	-	52,697
Exploration and evaluation assets	(a)	3,175,862	(1,043,874)	2,131,988
		$ 10,846,327	$ (1,043,874)	$ 9,802,453
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		$ 1,324,260	$ -	$ 1,324,260
Shareholders' equity				
Share capital		12,305,072	-	12,305,072
Reserves		683,838	-	683,838
Deficit	(a)	(3,466,843)	(1,043,874)	(4,510,717)
		9,522,067	(1,043,874)	8,478,193
		$ 10,846,327	$ (1,043,874)	$ 9,802,453

Adjustments:

a) Exploration and evaluation costs

Under Pre-changeover GAAP the Company capitalized exploration and evaluation costs when there was an expectation that the legal right to explore the properties would be obtained. However IFRS 6: Exploration For and Evaluation of Mineral Resources prohibits the capitalization of exploration costs prior to obtaining the legal right to explore. As a result, the Company has reclassified $1,043,874 of exploration and evaluation assets to deficit upon the adoption of IFRS.

3. TRANSITION TO IFRS (cont'd…)

The reconciliation between Pre-changeover GAAP and IFRS consolidated statement of financial position as at December 31, 2010 is provided below:

		December 31, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash and equivalents		$ 14,040,043	$ -	$ 14,040,043
Receivables		19,305	-	19,305
Prepaid expenses		37,101	-	37,101
		14,096,449	-	14,096,449
Property, plant, and equipment		64,429	-	64,429
Pre-feasibility study advance		300,000	-	300,000
Deposits		86,980		86,980
Exploration and evaluation assets	(a)	6,278,866	(760,861)	5,518,005
		$ 20,826,724	$ (760,861)	$ 20,065,863
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		$ 859,334	$ -	$ 859,334
Shareholders' equity				
Share capital		26,662,667	-	26,662,667
Reserves		2,374,363	-	2,374,363
Deficit	(a)	(9,069,640)	(760,861)	(9,830,501)
		19,967,390	(760,861)	19,206,529
		$ 20,826,724	$ (760,861)	$ 20,065,863

Adjustments:

a) Exploration and evaluation costs

Under Pre-changeover GAAP the Company capitalized exploration and evaluation costs when there was an expectation that the legal right to explore the properties would be obtained. However IFRS 6: Exploration For and Evaluation of Mineral Resources prohibits the capitalization of exploration costs prior to obtaining the legal right to explore. As a result, the Company has reclassified $760,861 of exploration and evaluation assets to deficit upon the adoption of IFRS. This was the amount of exploration and evaluation asset recorded for the Ochoa property prior to the acquisition of the legal right to explore.

3. TRANSITION TO IFRS (cont'd…)

The reconciliation between the Pre-changeover GAAP and IFRS consolidated statement of loss and comprehensive loss for the year ended December 31, 2010 is provided below:

Year Ended December 31, 2010	**Notes**	**GAAP**	**Adoption Adjustments**	**IFRS**
EXPENSES				
Administration		$ 314,786	$	$ 314,786
Depreciation		34,888		34,888
Business and market development		169,296		169,296
Consulting fees		574,308		574,308
Exploration costs	(a)	-	14,607	14,607
Foreign exchange		384,664		384,664
Investor relations		218,963		218,963
Professional fees		369,195		369,195
Rent and storage		82,112		82,112
Regulatory fees		42,943		42,943
Share-based compensation		1,724,713		1,724,713
Travel		179,469		179,469
Wages and benefits		1,158,487		1,158,487
Loss before other items		(5,253,824)	(14,607)	(5,268,431)
OTHER ITEMS				
Interest income		11,426		11,426
Loss on disposal of equipment		(62,779)		(62,779)
Write-off of exploration and evaluation assets	(a)	(297,620)	297,620	-
		(348,973)	297,620	(51,353)
Loss and comprehensive loss for the year		(5,602,797)	283,013	(5,319,784)
Basic and diluted loss per common share		$ (0.08)		$ (0.08)

Adjustments:

a) Exploration and evaluation costs

Under Pre-changeover GAAP the Company capitalized exploration and evaluation costs when there was an expectation that the legal right to explore the properties would be obtained. However IFRS 6: Exploration For and Evaluation of Mineral Resources prohibits the capitalization of exploration costs prior to obtaining the legal right to explore. As a result, the Company would have expensed rather than capitalized $297,620 in exploration costs in fiscal 2009, which means that the costs would not have been written-off in fiscal 2010. Also, $14,607 of exploration costs incurred in fiscal 2010 would not have been deferred and written-off during the year; instead the costs would have been recorded as an expense item upon initial recognition.

3. TRANSITION TO IFRS (cont'd…)

The reconciliation between the Pre-changeover GAAP and IFRS consolidated statement of cash flows for the year ended December 31, 2010 is provided below:

Year Ended December 31, 2010	**Notes**	**GAAP**	**Effect of Transition to IFRS**	**IFRS**
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period		$ (5,602,797)	$ 283,013	$ (5,319,784)
Items not affecting cash:				
Depreciation		34,888	-	34,888
Loss on disposal of equipment		62,779	-	62,779
Share-based compensation		1,724,713	-	1,724,713
Write-off of exploration and evaluation assets		297,620	(297,620)	-
Unrealized foreign exchange		387,326	-	387,326
Changes in non-cash working capital items:				
Decrease in receivables		27,367	-	27,367
Decrease in prepaid expenses		26,137	-	26,137
Decrease in accounts payable and accrued liablilities		(149,278)	-	(149,278)
Net cash used in operating activities		(3,191,245)	(14,607)	(3,205,852)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment		(10,342)	-	(10,342)
Deposits		(36,945)	-	(36,945)
Ochoa project advances		(300,000)	-	(300,000)
Expenditures on exploration and evaluation assets		(3,585,858)	14,607	(3,571,251)
Net cash used in investing activities		(3,933,145)	14,607	(3,918,538)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of share capital		15,313,535	-	15,313,535
Share issuance costs		(1,122,610)	-	(1,122,610)
Net cash provided by (used in) financing activities		14,190,925	-	14,190,925
Increase (decrease) in cash and equivalents for the year		7,066,535	-	7,066,535
Effect of foreign exchange rate changes on cash and equivalents		(384,664)	-	(384,664)
Cash and equivalents, beginning of year		7,358,172	-	7,358,172
Cash and equivalents, end of year		$ 14,040,043	$ -	$ 14,040,043

3. TRANSITION TO IFRS (cont'd…)

Adjustments:

a) Exploration and evaluation costs

Under Pre-changeover GAAP the Company capitalized exploration and evaluation costs when there was an expectation that the legal right to explore the properties would be obtained. However IFRS 6: Exploration For and Evaluation of Mineral Resources prohibits the capitalization of exploration costs prior to obtaining the legal right to explore. As a result, the Company would have expensed rather than capitalized $297,620 in exploration costs in fiscal 2009, which means that the costs would not have been written-off in fiscal 2010. Also, $14,607 of exploration costs incurred in fiscal 2010 would not have been deferred and written-off during the year; instead the costs would have been recorded as an expense item upon initial recognition.

4. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following:

Cost	Furniture and fixtures	Computer equipment	Exploration equipment	Vehicles	Total
As at January 1, 2010	$ 22,031	$ 50,519	$ 59,843	$ 22,940	$ 155,333
Additions	1,753	10,601	-	-	12,354
Disposals	(497)	(22,582)	(53,873)	(307)	(77,259)
As at December 31, 2010	23,287	38,538	5,970	22,633	90,428
Additions	11,241	42,224	47,614	48,164	149,243
Disposals	(10,857)	(15,012)	(1,655)	(15,497)	(43,021)
As at December 31, 2011	$ 23,671	$ 65,750	$ 51,929	$ 55,300	$ 196,650

Depreciation	Furniture and fixtures	Computer equipment	Exploration equipment	Vehicles	Total
As at January 1, 2010	$ 1,019	$ 1,959	$ 1,317	$ 1,352	$ 5,647
Additions	4,382	9,169	803	5,998	20,352
As at December 31, 2010	5,401	11,128	2,120	7,350	25,999
Additions	2,474	17,524	5,410	8,176	33,584
Disposals	(5,227)	(10,095)	(1,654)	(7,349)	(24,325)
As at December 31, 2011	$ 2,648	$ 18,557	$ 5,876	$ 8,177	$ 35,258

Net book value:	Furniture and fixtures	Computer equipment	Exploration equipment	Vehicles	Total
As at January 1, 2010	$ 21,012	$ 48,560	$ 58,526	$ 21,588	$ 149,686
As at December 31, 2010	17,886	27,410	3,850	15,283	64,429
As at December 31, 2011	$ 21,023	$ 47,193	$ 46,053	$ 47,123	$ 161,392

5. EXPLORATION AND EVALUATION ASSETS

Year ended December 31, 2011		**Ochoa**
Acquisition costs		
Balance, beginning of year	$	477,478
Additions during the year		
Landman costs		48,330
Permit application and acquisition		1,348,124
Total acquisition costs		1,873,932
Deferred exploration costs		
Balance, beginning of year		5,040,527
Additions during the year		
Analytical		153,060
Archaeological studies		34,735
Bulk Sampling		5,914
Data acquisition		58,533
Drilling		1,727,847
Environment work		549,358
Field expenses		161,425
Geological reports		42,247
Geology		250,227
Land surveys		5,866
Metallurgical		117,463
Mining engineering		340,334
Office support		964,103
Pre-Feasibility		4,272,817
SOP marketing		104,180
Total deferred exploration costs		13,828,636
Write-down during the year		-
TOTAL	$	15,702,568

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Year ended December 31, 2010		**Ochoa**
Acquisition costs		
Balance, beginning of year	$	244,377
Additions during the year		
Landman costs		106,742
Permit application and acquisition		126,359
Total acquisition costs		477,478
Deferred exploration costs		
Balance, beginning of year		1,887,611
Additions during the year		
Analytical		157,510
Archaeological studies		20,086
Data acquisition		5,929
Drilling		1,287,802
Field expenses		155,953
Geological reports		183,853
Geology		460,328
Land surveys		61,801
Metallurgical		120,096
Mining engineering		73,703
Office support		133,964
Pre-Feasibility		458,367
SOP marketing		17,042
Summer interns		16,482
Total deferred exploration costs		5,040,527
Write-down during the year		-
TOTAL	$	5,518,005

5. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Title to exploration and evaluation assets 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 conveyance history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and to the best of its knowledge, title to the properties are in good standing.

a) Ochoa property

During 2008, the Company acquired certain federal sub-surface potassium prospecting permits ("Permits") located in Lea County, New Mexico with the next annual rent due on December 1, 2012. During 2010, the Company acquired additional Permits with the next annual rent due on March 1, 2013 and New Mexico state mining leases with the next annual rent due on May 24, 2012. During 2011, the Company acquired additional Permits with the next annual rent due on April 1, 2013. The Company paid US$50,000 into a Permit Bond and US$25,000 into a MegaBond for performance and surface or improvement damage that may be refundable if certain prospecting and reclamation requirements are satisfied, thus these amounts are recorded as deposits on the statement of financial position. The Permits are valid for two years and are renewable after two years if the Company meets performance criteria. The Company has applied to convert 26 Permits to Preference Right Leases, which do not expire. The leases are good for ten years, with subsequent renewals as long as minerals are produced in paying quantities. As part of the acquisition of the Ochoa permits, the Company issued 500,000 common shares valued at $30,000 during fiscal 2009.

Pursuant to private agreements, a 3% net profits royalty (the "NPR") is payable on the Ochoa Project for a term of 25 years commencing from the initiation of production of which 1% of the royalty is payable to a director of the Company. The Company may acquire, at its option, up to one-half of the NPR at a price of $3,000,000 per 0.5% royalty interest. The NPR is not payable until all capital required to build the project is repaid. An additional royalty of US$1.00 per ton of polyhalite mined for the first 1,000,000 tons and US$0.50 per ton thereafter is also payable on the Ochoa Project pursuant to an agreement with an arm's length third party.

A minimum advance royalty payment of $8 per acre is payable on the state mining leases beginning in 2011. Once the Ochoa Project comes into production, minimum royalties of $8 per acre or 2.5% of the gross value of production after processing, whichever is greater, will be owed on the state mining leases. In addition, once the Ochoa Project comes into production, and no later than six years from obtaining federal Bureau of Land Management ("BLM") preference right leases, minimum royalty payments of $3.00 per acre or 2% of the gross value at the point of shipment to market, whichever is greater, are expected to be imposed on the federal BLM leases.

As at December 31, 2011, the Company has made an advance of $10,400 (December 31, 2010 - $300,000 and January 1, 2010 - $nil) towards the pre-feasibility study and an advance of $100,000 (December 31, 2010 - $nil and January 1, 2010 - $nil) towards the regulatory review of the environmental impact statement.

6. SHARE CAPITAL AND RESERVES

Authorized: The Company is authorized to issue an unlimited number of common shares without par value.

Issued and outstanding: 121,246,514 (December 31, 2010 – 97,454,765 and January 1, 2010 - 59,397,490) common shares

Please refer to the Consolidated Statement of Changes in Equity for a summary of changes in share capital and reserves for the year ended December 31, 2011. Reserves relate to stock options, agent's unit options, and compensatory warrants that have been issued by the Company.

During 2011, the Company issued the following common shares;

(i) On March 17, the Company issued 12,500,000 common shares of the Company at $1.60 per share pursuant to a Short Form Prospectus Offering bought deal for aggregate gross proceeds of $20,000,000. The Company paid the underwriters a commission of $1,200,000.

During 2010, the Company issued the following common shares:

(i) On September 15, 2010, the Company issued 37,500,000 units pursuant to a non-brokered private placement at $0.40 per unit for gross proceeds of $15,000,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Company for $0.65 per share until September 15, 2013. The Company paid finders' fees of $227,800.

(ii) On December 1, 2010, the Company issued 312,500 common shares at $0.65 per share pursuant to the exercise of warrants and 194,775 common shares at $0.40 pursuant to the exercise of agents' unit options.

(iii) On December 15, 2010, the Company issued 50,000 common shares at $0.65 per share pursuant to the exercise of warrants.

Escrow

Included in the shares outstanding at December 31, 2011, are 2,262,186 (December 31, 2010 – 3,494,998 and January 1, 2010 – 4,784,685) common shares held in escrow. The escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulators.

The Common Shares will be released from escrow or become freely trading as follows:

Date	Number of Common Shares
June 16, 2012	702,187
December 16, 2012	1,559,999

7. STOCK OPTIONS AND WARRANTS

Stock options

The Company has an incentive stock option plan (the "Plan") whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue less any discount allowed by the stock exchange upon which the common shares are listed. The Plan provides for the issuance of up to 10% of the Company's issued common shares as at the date of grant with each stock option having a maximum term of ten years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

As at December 31, 2011, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options	Exercise Price	Expiry Date	
43,750	$4.20	January 9, 2012	(subsequently expired)
150,000	1.16	August 28, 2013	
2,970,000	0.40	June 14, 2014	
650,000	0.45	April 22, 2015	
1,102,245	0.40	August 4, 2015	
272,255	0.40	September 19, 2015	
950,000	0.50	September 19, 2015	
700,000	0.58	November 8, 2015	
100,000	0.80	November 22, 2015	
500,000	1.42	January 13, 2016	
1,100,000	1.40	March 17, 2016	
345,000	1.06	May 9, 2016	
500,000	1.13	July 14, 2016	
1,263,750	1.07	October 17, 2016	
10,647,000			

7. STOCK OPTIONS AND WARRANTS (cont'd…)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2009	4,175,000	$ 0.55
Cancelled/expired	(106,250)	2.55
Granted	3,974,500	0.48
Outstanding at December 31, 2010	8,043,250	0.49
Exercised	(980,000)	0.44
Cancelled/expired	(405,000)	1.32
Granted	3,988,750	1.23
Outstanding at December 31, 2011	10,647,000	$ 0.74
Number of options exercisable at December 31, 2011	10,647,000	$ 0.74

Share-based compensation

During the year ended December 31, 2011 and year ended December 31, 2010, the Company granted 3,988,750 and 3,974,500 options respectively to consultants, officers, employees, and directors of the Company. All options vested at the grant date. The fair value of the options granted in the year ended December 31, 2011 and 2010, as determined by the Black-Scholes option pricing model, was $3,843,775 and $1,724,713 respectively or $1.30 and $0.43 per option.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2011 and the year ended December 31, 2010:

	Year ended December 31, 2011	Year ended December 31, 2010
Risk-free interest rate	2.18%	2.39%
Expected life of options	4.50 years	4.95 years
Annualized volatility	116%	111%
Dividend rate	-%	-%
Forfeiture rate	-%	-%

Volatility was determined using weekly closing share prices over a term equivalent to the expected life of the options.

7. STOCK OPTIONS AND WARRANTS (cont'd…)

Warrants

As at December 31, 2011, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Expiry Date
16,996,701	$ 0.65	September 15, 2013

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding at December 31, 2009	8,920,950	$	0.65
Exercised	(362,500)		0.65
Granted	18,750,000		0.65
Outstanding at December 31, 2010	27,308,450		0.65
Exercised	(10,311,749)		0.65
Outstanding as at December 31, 2011	16,996,701	$	0.65

Agents' unit options

As at December 31, 2011, the Company had no agents' unit options outstanding.

Agents' unit option transactions are summarized as follows:

	Number of Unit Options		Weighted Average Exercise Price
Outstanding at December 31, 2009	398,300	$	0.40
Exercised	(194,775)		0.40
Expired	(203,525)		0.40
Outstanding at December 31, 2010 and December 31, 2011	-	$	-

8. RELATED PARTY TRANSACTIONS AND BALANCES

During the year-ended December 31, 2011, the Company entered into the following transactions with related parties:

Key management personnel compensation (including senior officers and directors of the Company):

	Year-ended	
	December 31, 2011	December 31, 2010
Short-term employee benefits	$1,049,914	$714,404
Directors' fees (included in administrative costs)	240,983	131,000
Share-based payments	2,095,283	815,959
Total remuneration	$3,386,180	$1,661,363

The liabilities of the Company include the following amounts due to related parties:

	At December 31, 2011	At December 31, 2010	At January 1, 2010
Accounts payable and accrued liabilities	$ 24,442	$ 35,535	$ 36,049

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Cash and equivalents are comprised of:

		December 31, 2011		December 31, 2010		January 1, 2010
Cash	$	26,403,434	$	3,040,043	$	3,257,172
Banker Acceptance		-		1,000,000		-
Guaranteed Investment Certificates		-		-		4,101,000
US Term Deposits		-		10,000,000		-
	$	26,403,434	$	14,040,043	$	7,358,172

Supplemental disclosure with respect to cash flows		December 31, 2011		December 31, 2010
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	-
Accrued mineral property expenditures	$	1,596,813	$	561,487
Accrued capital assets	$	7,428	$	2,068
Advances transferred to exploration and evaluation assets	$	300,000	$	-
Accrued share issue costs	$	-	$	33,170
Contributed surplus transferred on exercise of options and warrants	$	297,474	$	34,188

10. COMMITMENTS

The Company has entered into four operating lease agreements for premises, with annual lease commitments as follows:

2012	$	105,303	USD	$	3,567	CAD
2013		81,603			-	
	$	186,906	USD	$	3,567	CAD

The Company entered into a consulting agreement dated September 20, 2010 that terminates on May 31, 2012. Twenty monthly payments of $15,000 are required until the termination date for a total remaining commitment of $75,000.

11. SEGMENTED INFORMATION

The Company has one reportable business segment being the acquisition and exploration of exploration and evaluation assets. Geographical information is as follows:

	December 31, 2011			December 31, 2010		
	Canada	USA	Total	Canada	USA	Total
Property, plant, and equipment	$13,146	$ 148,246	$ 161,392	$ 12,972	$ 51,457	$ 64,429
Exploration and Evaluation Assets	-	15,702,568	15,702,568	-	5,518,005	5,518,005
	$13,146	$ 15,850,814	$ 15,863,960	$ 12,972	$ 5,569,462	$ 5,582,434

	January 1, 2010		
	Canada	USA	Total
Property, plant, and equipment	$ 75,028	$ 74,658	$ 149,686
Exploration and Evaluation Assets	-	2,131,988	2,131,988
	$ 75,028	$ 2,206,646	$ 2,281,674

12. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the sourcing, exploration, and development of its exploration and evaluation assets. The Company does not have any externally imposed capital requirements to which it is subject. The capital of the Company consists of share capital, warrants and options. The Company had no bank indebtedness at year-end. 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.

As at December 31, 2011, the Company had capital resources consisting of cash and equivalents and receivables. The Company manages the capital structure and makes adjustments to it in light of changes in available funds, economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company’s investment policy is to invest its cash and equivalents in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through 2012. There were no significant changes in the Company's approach to capital management during the quarter and year ended December 31, 2011.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial instruments include cash and equivalents, receivables, deposits, and accounts payable and accrued liabilities.

Financial instruments

Cash and equivalents and deposits are measured at fair value using level one as the basis for measurement in the fair value hierarchy. The carrying value of receivables and payables and accrued liabilities approximate fair value because of the short-term nature of these instruments.

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

Credit risk

The Company's credit risk is primarily attributable to cash and equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Cash and equivalents consists of chequing accounts at reputable financial institutions, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances up to $100,000 in Canada and up to $100,000 in the United States. Financial instruments included in receivables consist of amounts due from government agencies, and receivables from related and unrelated companies. The Company limits its exposure to credit loss for cash and equivalents by placing its cash and equivalents with high quality financial institutions and for receivables by standard credit checks.

Liquidity risk

The Company’s ability to remain liquid over the long term depends on its ability to obtain additional financing through the issuance of additional securities, the entering into credit facilities or the entering into joint ventures, partnerships or other similar arrangements. As at December 31, 2011, the Company had a cash and equivalents balance of $26,403,834 to settle current liabilities of $1,886,430.

Interest rate risk

The Company has cash and equivalents balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates. A 1% change in the interest rate would have had a $222,000 impact on interest income.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Foreign currency risk

The Company's functional currency is the Canadian dollar, however there are transactions in US dollars. The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility in these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A 1% change in the foreign exchange rate would have had a $61,345 impact on foreign exchange gain or loss.

Price risk

The Company is exposed to price risk with respect to commodity prices, specifically potash and other fertilizer products. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future mining operations will be significantly affected by changes in the market prices for potash and other fertilizer products. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, investment decisions by large holders of commodities, and stability of exchange rates can all cause significant fluctuations in commodity prices.

14. LOSS PER SHARE

The loss per share for the year ended December 31, 2011 was $0.07 (2010 – $0.08).

The calculation of basic and diluted loss per share for the year ended December 31, 2011 was based on the loss attributable to common shareholders of $7,793,333 (2010 – $5,319,784) and the weighted average number of common shares outstanding of 117,228,372 (2010 – 70,434,526). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive.

15. RECEIVABLES

Trade and other receivables are comprised of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
HST receivable	$18,245	$16,062	$30,561
Other receivables	-	3,243	16,111
Total	$18,245	$19,305	$46,672

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 1,487,523	$628,507	$ 990,218
Accrued liabilities	374,571	197,257	311,847
Other	24,336	33,570	22,195
Total	$ 1,886,430	$859,334	$1,324,260

The average credit period of purchases is 1 month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. INCOME TAXES

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

	2011	2010
Loss before income taxes	$ (7,793,333)	$ (5,319,784)
Expected income tax recovery	$ (2,065,233)	$ (1,596,797)
Share based compensation and other	1,024,606	682,191
Share issue costs	(212,149)	(158,718)
Change in tax rates	(54,758)	(91,094)
Effect of foreign tax rates	(175,172)	(63,986)
Unrecognized benefit of deferred tax assets	1,482,706	1,228,404
Deferred income tax recovery	$ -	$ -

The nature and tax effect of the temporary differences and tax loss carryforwards giving rise to the deferred tax assets and liabilities at December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Deferred tax assets (liabilities)		
Capital assets	$ 58,000	$ 49,000
Exploration and evaluation assets	2,367,000	1,903,000
Share issuance costs	564,000	338,000
Non-capital loss carryforwards	4,387,000	3,134,000
Capital loss carryforwards	144,000	144,000
Unrecognized deferred tax asset	$ 7,520,000	$ 5,568,000

The Company has non-capital losses of approximately $16,087,000 available to offset against taxable income in future years, which if unutilized will expire from 2019 through to 2031. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately $22,665,000 available to offset taxable income in future years. Deferred tax benefits that may arise as a result of these losses, resource deductions and other tax assets have not been recognized in these financial statements due to a lack of probability of their realization.