IC POTASH CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
IC Potash Corp.

We have audited the accompanying consolidated financial statements of IC Potash Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, 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. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 28, 2013

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

		December 31, 2012		December 31, 2011
ASSETS				
Current				
Cash	$	36,394,591	$	26,403,834
Receivables (note 3)		60,217		18,245
Prepaid expenses		151,539		92,668
		36,606,347		26,514,747
Property, plant and equipment (note 4)		242,114		161,392
Project advances (note 5)		133,200		110,400
Deposits (note 6)		82,093		84,081
Exploration and evaluation assets (note 5)		37,225,214		15,702,568
Deferred Financing Costs		87,491		-
	$	74,376,459	$	42,573,188
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (note 7)	$	3,490,946	$	1,886,430
Decommissioning liabilities (note 8)		268,299		-
		3,759,245		1,886,430
Shareholders' equity				
Share capital (note 9)		89,456,817		52,389,928
Reserves (note 9)		8,502,712		5,920,664
Deficit		(27,342,315)		(17,623,834)
		70,617,214		40,686,758
	$	74,376,459	$	42,573,188

Nature of operations and going concern (note 1)
Basis of presentation (note 2 b)
Commitments (note 13)

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
(Expressed in Canadian Dollars)

	2012	2011
EXPENSES		
Administration	$ 714,994	$ 546,159
Business and market development	748,273	335,378
Consulting fees	577,343	328,630
Depreciation	74,341	33,585
Foreign exchange (gain) loss	455,631	(22,293)
Investor relations	522,296	620,814
Professional fees	930,836	673,185
Regulatory fees	81,142	284,215
Rent and storage	71,934	79,126
Share-based compensation (note 10)	2,587,484	3,843,775
Travel	380,468	73,681
Wages and benefits	2,822,744	1,225,326
Operating loss	(9,967,486)	(8,021,581)
Interest income	259,203	237,517
Loss on disposal of equipment	(10,198)	(9,269)
Loss and comprehensive loss for the year	$ (9,718,481)	$ (7,793,333)
Basic and diluted loss per common share	$ (0.07)	$ (0.07)
Weighted average number of common shares outstanding	142,922,213	117,228,372

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, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**$ (9,718,481)**	$ (7,793,333)
Items not affecting cash:		
Depreciation	**74,341**	33,585
Loss on disposal of equipment	**10,198**	9,269
Share-based compensation	**2,587,484**	3,843,775
Unrealized foreign exchange loss (gain)	**455,631**	(22,293)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	**(41,972)**	1,060
Increase in prepaid expenses	**(58,871)**	(55,567)
Increase in accounts payable and accrued liablilities	**252,208**	19,580
Net cash used in operating activities	**(6,439,462)**	(3,963,924)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	**(170,255)**	(134,457)
Deposits	**1,988**	2,899
Project advances	**(110,192)**	(110,400)
Expenditures on exploration and evaluation assets	**(19,809,653)**	(8,849,237)
Net cash used in investing activities	**(20,088,112)**	(9,091,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	**39,783,428**	27,134,638
Share issuance costs	**(2,721,975)**	(1,738,021)
Deferred financing costs	**(87,491)**	-
Net cash provided by financing activities	**36,973,962**	25,396,617
Increase in cash and equivalents for the year	**10,446,388**	12,341,498
Effect of foreign exchange rate changes on cash	**(455,631)**	22,293
Cash, beginning of year	**26,403,834**	14,040,043
Cash, end of year	**$ 36,394,591**	$ 26,403,834

Supplemental disclosure with respect to cash flows (note 12)

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 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
Shares issued for cash	30,129,870	39,771,428	-	-	39,771,428
Share issue costs	-	(2,721,975)	-	-	(2,721,975)
Grant of stock options	-	-	2,587,484	-	2,587,484
Exercise of stock options	30,000	17,436	(5,436)	-	12,000
Loss and comprehensive loss	-	-	-	(9,718,481)	(9,718,481)
Balances as at December 31, 2012	151,406,384	$ 89,456,817	$ 8,502,712	$ (27,342,315)	$ 70,617,214

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 advanced exploration stage. The Company is involved in exploration for potash and potash-related minerals that can be processed and converted into Sulphate of Potash ("SOP") and other fertilizers. 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.

The Company has not yet completed a feasibility study to determine 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 in 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").

The Financial Statements were authorized by the audit committee and board of directors of the Company on February 28, 2013.

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...)

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:

Cash is comprised of cash at banks and short-term, highly liquid deposits with an original maturity of three months or less.

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.

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 decommissioning 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 decommissioning liability 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 decommissioning as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these decommissioning liability 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 and changes in the estimated future cash flows underlying any initial estimates.

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 $268,299 in decommissioning liabilities as at December 31, 2012 (December 31, 2011 - $nil) (note 8).

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 statements 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. The most significant estimates relate to the recoverability of capitalized amounts including the economic viability of the Ochoa project. Based on a favorable pre-feasibility study, the Company has commenced a phase 3 drilling program, the environmental permitting process and detailed work on a feasibility study.

Significant accounts that require estimates as the basis for determining the stated amounts include decommissioning liabilities (cost escalation and discount rate), deferred income taxes (future tax rates and recoverability of tax assets), evaluating the fair value of exploration and evaluation assets, useful lives of equipment, and share-based compensation (valuation model used and assumptions in the Black-Scholes model such as expected life of options and volatility).

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 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 is classified as FVTPL. The Company's deposits are classified as held to maturity.

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. 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. 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, 2012 and have not been applied in preparing these Financial Statements.

Financial instruments
IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, 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 January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

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 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 Consolidated Financial Statements.

Interests in other entities
The IASB issued IFRS 12 – Disclosure of Interests in Other Entities in May 2011 and it applies to annual periods beginning on or after January 1, 2013. IFRS 12 requires disclosure of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Company is evaluating the impact the final standard will have on its Consolidated Financial Statements.

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. RECEIVABLES

Trade and other receivables are comprised of the following:

	December 31, 2012	December 31, 2011
HST receivable	$50,595	$18,245
Interest receivable	9,622	-
Total	$60,217	$18,245

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Furniture and fixtures	Computer equipment	Exploration equipment	Vehicles	Total
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
Additions	38,625	59,847	-	71,783	170,255
Disposals	-	(19,081)	-	(7,135)	(26,216)
As at December 31, 2012	$ 62,296	$ 106,516	$ 51,929	$ 119,948	$ 340,689

Depreciation	Furniture and fixtures	Computer equipment	Exploration equipment	Vehicles	Total
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
Additions	7,972	31,957	9,631	24,781	74,341
Disposals	-	(9,054)	-	(1,970)	(11,024)
As at December 31, 2012	$ 10,620	$ 41,460	$ 15,507	$ 30,988	$ 98,575

Net book value:	Furniture and fixtures	Computer equipment	Exploration equipment	Vehicles	Total
As at December 31, 2011	$ 21,023	$ 47,193	$ 46,053	$ 47,123	$ 161,392
As at December 31, 2012	$ 51,676	$ 65,056	$ 36,422	$ 88,960	$ 242,114

5. EXPLORATION AND EVALUATION ASSETS

Year ended December 31, 2012	Ochoa
Acquisition costs	
Balance, beginning of year	$ 1,873,932
Additions during the year	
Landman costs	172,643
Permit application and acquisition	1,516,705
Total acquisition costs	3,563,280
Deferred exploration costs	
Balance, beginning of year	13,828,636
Additions during the year	
Archaeological studies	2,087
Bulk sampling	699,463
Data acquisition	9,596
Drilling	6,304,476
Environment work	65,360
Feasibility study	5,243,164
Field expenses	5,781
Geological reports	1,488
Geology	446,965
Land surveys	3,954
Metallurgical	44,177
Mining engineering	4,359,275
Office support	2,087,437
Pre-feasibility study	179,279
SOP marketing	108,371
Water reclamation costs	272,425
Total deferred exploration costs	33,661,934
TOTAL	$ 37,225,214

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

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 study	4,272,817
SOP marketing	104,180
Total deferred exploration costs	13,828,636
TOTAL	$ 15,702,568

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 that expired on December 1, 2012 (ten of which are protected by a Preference Rights Lease ("PRL") application, five of which are protected for 60 days to allow the Company to apply for Preference Rights Leases, and one of which was relinquished in Q4 2012). Annual rent is no longer payable on these expired Permits. During 2010, the Company acquired additional Permits with the next annual rent due on March 1, 2013, which expire on March 1, 2014 (all of which were included in the PRL application) and New Mexico state mining leases with the next annual rent due on May 24, 2013. During 2011, the Company acquired additional Permits with the next annual rent due on April 1, 2013. The annual rent payments due on March 1, 2013 and April 1, 2013 were made subsequent to December 31, 2012. 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 state mining leases are valid for ten years, with subsequent renewals as long as minerals are produced in paying quantities.

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 US$8 per acre is payable on the state mining leases annually. Once the Ochoa Project comes into production, minimum royalties of US$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 US$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, 2012, the Company has made an advance of $112,609 (December 31, 2011 - $100,000) towards the regulatory review of the environmental impact statement, an advance of $10,400 (December 31, 2011 - $10,400) towards the feasibility study, and an advance of $10,191 (December 31, 2011 – $nil) towards landman work and process testing.

6. DEPOSITS

	December 31, 2012	December 31, 2011
BLM Permit Bond	$ 49,745	$ 51,000
MegaBond	24,873	25,500
Office security deposits	7,475	7,581
Total	$ 82,093	$ 84,081

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
Trade payables	$ 1,954,991	$ 1,487,523
Accrued liabilities	1,502,383	374,571
Other	33,572	24,336
Total	$ 3,490,946	$ 1,886,430

8. DECOMMISSIONING LIABILITIES

	December 31, 2012	December 31, 2011
Decommissioning liabilities		
Current	$ 224,588	$ -
Non-current	43,711	-
	$ 268,299	$ -

Site Restoration: Ochoa Project – New Mexico

The Company completed drilling two water wells during fiscal 2012. The decommissioning of these water wells in New Mexico is subject to legal and regulatory requirements. Estimates of the costs of decommissioning are calculated based on guidance from the New Mexico Department of Energy Minerals and Natural Resources, Mining and Minerals Division. Estimates of the costs of decommissioning are reviewed periodically by authorized officers of the Company. The above accrual represents the Company's best estimate of the present value of future decommissioning costs, discounted at 8% (based on discount rates used in our pre-feasibility study). As at December 31, 2012, the undiscounted amount of estimated future decommissioning costs in 2056 based on today's costs with 6% inflation for 44 years is $1,298,548 (December 31, 2011 - $nil). Decommissioning costs are expected to be incurred between 2013 and 2056.

9. SHARE CAPITAL AND RESERVES

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

Issued and outstanding: 151,406,384 (December 31, 2011 – 121,246,514) 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, 2012. Reserves relate to stock options, agent warrants, and compensatory warrants that have been issued by the Company (note 10).

During the year ended December 31, 2012, the Company issued the following common shares;

- On March 1, the Company issued 30,000 common shares at $0.40 per share pursuant to the exercise of options for gross proceeds of $12,000.
- On April 12, the Company issued 30,129,870 common shares at $1.32 per share to a wholly owned subsidiary of Yara International ASA for aggregate gross proceeds of $39,771,428. The financing costs associated with this share issuance were $2,721,975.

During 2011, the Company issued the following common shares;

(i) On March 17, the Company issued 12,500,000 common shares 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.

Escrow

Included in the shares outstanding at December 31, 2012, are nil (December 31, 2011 – 2,262,186) common shares held in escrow. The escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulators.

All common shares were released from escrow or became freely traded on December 16, 2012.

10. 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, 2012, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options		Exercise Price	Average Contractual Life Remaining (years)	Expiry Date
150,000	$	1.16	0.66	August 28, 2013
2,940,000		0.40	1.45	June 14, 2014
250,000		1.00	1.49	June 28, 2014
250,000		0.58	2.25	March 31, 2015
650,000		0.45	2.31	April 22, 2015
1,102,245		0.40	2.59	August 4, 2015
272,255		0.40	2.72	September 19, 2015
950,000		0.50	2.72	September 19, 2015
450,000		0.58	2.85	November 8, 2015
100,000		0.80	2.89	November 22, 2015
500,000		1.42	3.04	January 13, 2016
1,000,000		1.40	3.21	March 17, 2016
335,000		1.06	3.36	May 9, 2016
1,263,750		1.07	3.80	October 17, 2016
400,000		1.03	4.15	February 23, 2017
2,400,000		0.90	4.32	April 26, 2017
200,000		0.76	4.84	October 31, 2017
590,000		0.71	4.93	December 5, 2017
13,803,250				

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
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
Exercised	(30,000)	0.40
Cancelled/expired	(853,750)	1.26
Granted	4,040,000	0.88
Outstanding at December 31, 2012	13,803,250	$ 0.75
Number of options exercisable at December 31, 2012	13,803,250	$ 0.75

Share-based compensation

During the years ended December 31, 2012 and 2011, the Company granted 4,040,000 and 3,988,750 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, 2012 determined by the Black-Scholes option pricing model, was $2,587,484 (2011 - $3,843,775) or $0.64 per option (2011 - $1.30).

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2012 and December 31, 2011:

	Year ended December 31, 2012	Year ended December 31, 2011
Risk-free interest rate	1.51%	2.18%
Expected life of options	4.34 years	4.50 years
Annualized volatility	107%	116%
Dividend rate	-	-
Forfeiture rate	-	-

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

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

Warrants

As at December 31, 2012, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Average Contractual Life Remaining	Expiry Date
16,996,701	$ 0.65	0.71 years	September 15, 2013

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at December 31, 2011 and December 31, 2012	16,996,701	$ 0.65

Agents' unit options

As at December 31, 2012, the Company had no agents' unit options outstanding.

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

	December 31, 2012	December 31, 2011
Accounts payable and accrued liabilities	$30,323	$24,442

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

	Year ended	
	December 31, 2012	December 31, 2011
Short-term employee benefits	$1,827,785	$1,049,914
Directors' fees (included in administration costs)	325,000	240,983
Share-based compensation	2,172,534	2,095,283
Total remuneration	$4,325,319	$3,386,180

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Supplemental disclosure with respect to cash flows	Year ended December 31, 2012	Year ended December 31, 2011
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Accrued exploration and evaluation assets	$ 2,954,115	$ 1,596,813
Accrued property, plant and equipment	$ -	$ 7,428
Advances reclassified to exploration and evaluation assets	$ 87,392	$ 300,000
Reserves transferred on exercise of options and agents' unit options	$ 5,436	$ 297,474
Reclamation obligation	$ 268,299	$ -

13. COMMITMENTS

Lease

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

2013	$	170,889	USD	$	28,785	CAD
2014	$	25,200	USD	$	22,500	CAD
2015	$	1,500	USD	$	-	CAD
Total	$	197,589	USD	$	51,285	CAD

Production

After commencement of commercial production, the Company shall deliver and sell to Yara Balderton Ltd. ("Yara") and Yara will buy from the Company 30% of all products produced by the Ochoa project annually for a period of 15 years and will automatically extend every five years thereafter unless either party elects not to extend. Under certain circumstances, Yara has the option to purchase up to an additional 20% (for an aggregate maximum of 50%) of annual production during the term of the agreement. All products will be sold to Yara based on market prices, subject to terms of the off-take agreement dated March 30, 2012.

14. 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, 2012			December 31, 2011		
	Canada	USA	Total	Canada	USA	Total
Property, plant, and equipment	$ 7,608	$ 234,506	$ 242,114	$ 13,146	$ 148,246	$ 161,392
Exploration and evaluation assets	-	37,225,214	37,225,214	-	15,702,568	15,702,568
	$ 7,608	$ 37,459,720	$ 37,467,328	$ 13,146	$ 15,850,814	$ 15,863,960

15. 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, 2012, the Company had capital resources consisting of cash 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 in demand investment instruments in high credit quality financial institutions to provide liquidity over 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 its current operating year. There were no significant changes in the Company's approach to capital management during the year ended December 31, 2012.

16. 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, receivables, deposits, and accounts payable and accrued liabilities.

Financial instruments

Cash 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 receivables. The Company has no significant concentration of credit risk arising from operations. Cash 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 $250,000 in the United States. Receivables consist of amounts due from government agencies and financial institutions.

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, 2012, the Company had a cash balance of $36,394,591 to settle current liabilities of $3,490,946.

Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade demand 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 $215,000 impact on interest income for the year.

16. 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 $164,500 impact on foreign exchange gain or loss for the year.

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, economic growth in developed and developing countries, and stability of exchange rates can all cause significant fluctuations in commodity prices.

17. LOSS PER SHARE

The loss per share for the year ended December 31, 2012 was $0.07 (2011 – $0.07).

The calculation of basic and diluted loss per share for the year ended December 31, 2012 was based on the loss attributable to common shareholders of $9,718,481 (2011 – $7,793,333) and the weighted average number of common shares outstanding of 142,922,213 (2011 – 117,228,372). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive.

18. INCOME TAXES

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

	2012	2011
Loss before income taxes	$ (9,718,481)	$ (7,793,333)
Expected income tax recovery	$ (2,430,000)	$ (2,065,233)
Permanent difference	468,000	1,024,606
Share issue costs	(680,000)	(212,149)
Change in statutory, foreign tax, foreign exchange rates and other	(33,000)	(229,930)
Change in unrecognized deferred tax assets	2,675,000	1,482,706
Deferred income tax recovery	$ -	$ -

The nature and tax effect of the temporary differences and tax loss carry forwards giving rise to the unrecorded deferred tax assets and liabilities at December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Unrecorded deferred tax assets (liabilities)		
Capital assets	$ 43,000	$ 58,000
Exploration and evaluation assets	2,262,000	2,367,000
Share issuance costs	932,000	564,000
Non-capital loss carryforwards	6,861,000	4,387,000
Capital loss carryforwards	97,000	144,000
Unrecognized deferred tax asset	$10,195,000	$ 7,520,000

The Company has non-capital losses of approximately $24,950,000 available to offset against taxable income in future years, which if unutilized will expire from 2014 through to 2032. Subject to certain restrictions, the Company also has resource exploration expenditures of approximately $43,570,000 available to offset taxable income in future years. The Company also has share issue costs of $3,728,000 available to offset against taxable income in future years, which if unutilized, will expire from 2033 to 2036. 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.