

**IC POTASH CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED**

**September 30, 2012**

**(Unaudited – expressed in Canadian dollars)**

**IC POTASH CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited - Expressed in Canadian Dollars)

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents (note 11)	\$ 46,347,887	\$ 26,403,834
Receivables (note 3)	15,524	18,245
Prepaid expenses	129,053	92,668
	<u>46,492,464</u>	<u>26,514,747</u>
<b>Property, plant, and equipment</b> (note 4)	253,900	161,392
<b>Ochoa project advances</b> (note 5)	120,492	110,400
<b>Deposits</b> (note 5)	81,194	84,081
<b>Exploration and evaluation assets</b> (note 5)	29,369,391	15,702,568
	<u>\$ 76,317,441</u>	<u>\$ 42,573,188</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 6)	\$ 3,652,818	\$ 1,886,430
Reclamation obligations (note 7)	222,059	-
	<u>3,874,877</u>	<u>1,886,430</u>
<b>Reclamation obligations</b> (note 7)	43,219	-
	<u>3,918,096</u>	<u>1,886,430</u>
<b>Shareholders' equity</b>		
Share capital (note 8)	89,456,817	52,389,928
Reserves (note 8)	8,083,541	5,920,664
Deficit	(25,141,013)	(17,623,834)
	<u>72,399,345</u>	<u>40,686,758</u>
	<u>\$ 76,317,441</u>	<u>\$ 42,573,188</u>

**Nature of operations and going concern** (note 1)**Basis of presentation** (note 2)**Commitments** (note 12)**On behalf of the Board:**Signed "George Poling"

Director

Signed "Sidney Himmel"

Director

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

**IC POTASH CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

	<b>Three Month Period Ended Sept 30, 2012</b>	Three Month Period Ended Sept 30, 2011	<b>Nine Month Period Ended Sept 30, 2012</b>	Nine Month Period Ended Sept 30, 2011
<b>EXPENSES</b>				
Administration	\$ 184,789	\$ 122,860	\$ 557,646	\$ 388,920
Business and market development	166,865	116,530	449,759	279,045
Consulting fees	148,134	65,049	459,964	259,095
Depreciation	21,531	7,373	50,677	19,457
Foreign exchange (gain) loss	620,575	(385,586)	736,232	(2,401)
Investor relations	113,319	153,318	370,019	463,785
Professional fees	240,015	120,052	649,126	528,104
Regulatory fees	21,139	207,915	67,448	286,584
Rent and storage	11,828	17,570	50,155	53,433
Share-based compensation (note 9)	-	426,040	2,168,313	2,805,362
Travel	142,010	19,801	224,641	61,645
Wages and benefits	708,159	282,424	1,923,905	857,338
<b>Operating loss</b>	<b>2,378,364</b>	1,153,346	<b>7,707,885</b>	6,000,367
Interest income	81,707	76,982	200,231	173,126
Loss on disposal of equipment	(9,525)	-	(9,525)	(4,351)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (2,306,182)</b>	<b>\$ (1,076,364)</b>	<b>\$ (7,517,179)</b>	<b>\$ (5,831,592)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>151,406,384</b>	121,067,166	<b>140,073,513</b>	115,874,272

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

**IC POTASH CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian Dollars)

	<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (7,517,179)	\$ (5,831,592)
Items not affecting cash:		
Depreciation	50,677	19,457
Loss on disposal of equipment	9,525	(4,351)
Share-based compensation	2,168,313	2,805,362
Unrealized foreign exchange loss (gain)	(736,253)	(2,338)
Changes in non-cash working capital items:		
Decrease (increase) in receivables	2,721	(46,219)
Increase in prepaid expenses	(36,385)	(86,862)
Increase (decrease) in accounts payable and accrued liabilities	112,590	(33,656)
Net cash used in operating activities	<u>(5,945,991)</u>	<u>(3,180,199)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of equipment	(157,690)	(98,546)
Deposits	(28)	3,000
Ochoa project advances	(110,092)	(110,400)
Expenditures on exploration and evaluation assets	(11,639,831)	(6,965,179)
Net cash used in investing activities	<u>(11,907,641)</u>	<u>(7,171,125)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	39,783,428	27,134,637
Share issuance costs	(2,721,975)	(1,738,020)
Net cash provided by financing activities	<u>37,061,453</u>	<u>25,396,617</u>
<b>Increase in cash and equivalents for the period</b>	<b>19,207,821</b>	<b>15,045,293</b>
<b>Effect of foreign exchange rate changes on cash and equivalents</b>	<b>736,232</b>	<b>2,402</b>
<b>Cash and equivalents, beginning of period</b>	<b>26,403,834</b>	<b>14,040,043</b>
<b>Cash and equivalents, end of period</b>	<b>\$ 46,347,887</b>	<b>\$ 29,087,738</b>

**Supplemental disclosure with respect to cash flows (note 11)**

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

**IC POTASH CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(Unaudited - 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	-	-	2,805,363	-	2,805,363
Exercise of warrants and stock options	11,291,749	7,432,112	(297,475)	-	7,134,637
Loss and comprehensive loss	-	-	-	(5,831,592)	(5,831,592)
Balances as at September 30, 2011	121,246,514	52,389,928	4,882,251	(15,662,093)	41,610,086
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	-	-	2,168,313	-	2,168,313
Exercise of stock options	30,000	17,436	(5,436)	-	12,000
Loss and comprehensive loss	-	-	-	(7,517,179)	(7,517,179)
Balances as at September 30, 2012	151,406,384	89,456,817	8,083,541	(25,141,013)	72,399,345

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

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**SEPTEMBER 30, 2012

---

**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 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 Condensed Consolidated Interim Financial Statements ("Interim 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 Interim 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 Interim 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 Interim Financial Statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") 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 October 31, 2012.

**b) Basis of presentation:**

The Interim 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. In addition, these Interim Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these Interim Financial Statements are in accordance with IFRS and have not been audited.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These Interim Financial Statements do not include all of the information required for annual financial statements.

The significant accounting policies for the quarter are consistent with those disclosed in the audited annual financial statements for the year-ended December 31, 2011. The Interim Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year-ended December 31, 2011.

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

---

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****c) New standards, amendments and interpretations not yet effective:**

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2012 and have not been applied in preparing these Interim 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.

*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.

*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.

*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.

**d) Significant accounting judgements and estimates:**

The preparation of these Financial Statements requires management to make judgements 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. 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 and the environmental permitting process and detailed work has commenced on a feasibility study.

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2012

**3. RECEIVABLES**

Trade and other receivables are comprised of the following:

	September 30, 2012	December 31, 2011
HST receivable	\$4,514	\$18,245
Interest receivable	<u>11,010</u>	<u>-</u>
Total	<u>\$15,524</u>	<u>\$18,245</u>

**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)
<b>As at December 31, 2011</b>	<b>23,671</b>	<b>65,750</b>	<b>51,929</b>	<b>55,300</b>	<b>196,650</b>
Additions	38,625	47,282	-	71,783	157,690
Disposals	-	(17,487)	-	(7,136)	(24,623)
<b>As at September 30, 2012</b>	<b>\$ 62,296</b>	<b>\$ 95,545</b>	<b>\$ 51,929</b>	<b>\$ 119,947</b>	<b>\$ 329,717</b>
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)
<b>As at December 31, 2011</b>	<b>2,648</b>	<b>18,557</b>	<b>5,876</b>	<b>8,177</b>	<b>35,258</b>
Additions	5,573	21,907	7,242	15,966	50,688
Disposals	-	(8,140)	-	(1,989)	(10,129)
<b>As at September 30, 2012</b>	<b>\$ 8,221</b>	<b>\$ 32,324</b>	<b>\$ 13,118</b>	<b>\$ 22,154</b>	<b>\$ 75,817</b>
Net book value:	Furniture and fixtures	Computer equipment	Exploration equipment	Vehicles	Total
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
<b>As at September 30, 2012</b>	<b>\$ 54,075</b>	<b>\$ 63,221</b>	<b>\$ 38,811</b>	<b>\$ 97,793</b>	<b>\$ 253,900</b>



**IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**5. EXPLORATION AND EVALUATION ASSETS**

<b>Nine months ended September 30, 2012</b>	<b>Ochoa</b>
<b>Acquisition costs</b>	
Balance, beginning of period	\$ 1,873,932
Additions during the period	
Landman costs	115,680
Permit application and acquisition	1,302,166
<b>Total acquisition costs</b>	<b>3,291,778</b>
<b>Deferred exploration costs</b>	
Balance, beginning of period	13,828,636
Additions during the period	
Archaeological studies	2,087
Bulk sampling	391,688
Data acquisition	9,596
Drilling	2,437,380
Environment work	65,360
Feasibility study	2,608,963
Field expenses	3,739
Geological reports	1,488
Geology	258,708
Land surveys	3,954
Metallurgical	44,177
Mining engineering	4,265,472
Office support	1,616,156
Pre-feasibility study	159,413
SOP marketing	108,371
Water reclamation costs	272,425
<b>Total deferred exploration costs</b>	<b>26,077,613</b>
<b>Write-down during the period</b>	<b>-</b>
<b>TOTAL</b>	<b>\$ 29,369,391</b>

**IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

<b>Year ended December 31, 2011</b>	<b>Ochoa</b>
<b>Acquisition costs</b>	
Balance, beginning of year	\$ 477,478
Additions during the year	
Landman costs	48,330
Permit application and acquisition	1,348,124
<b>Total acquisition costs</b>	<b>1,873,932</b>
<b>Deferred exploration costs</b>	
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
<b>Total deferred exploration costs</b>	<b>13,828,636</b>
<b>Write-down during the year</b>	<b>-</b>
<b>TOTAL</b>	<b>\$ 15,702,568</b>

**IC POTASH CORP.**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

---

**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 expire on December 1, 2012 (ten of which are part of the Preference Rights Lease application). 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, 2013. 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 state mining leases are valid 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 September 30, 2012, the Company has made an advance of \$100,000 (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 \$10,092 (December 31, 2011 - \$nil) towards landman work and process testing.

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

---

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2012	December 31, 2011
Trade payables	\$ 829,179	\$ 1,487,523
Accrued liabilities	2,778,813	374,571
Other	<u>44,826</u>	<u>24,336</u>
Total	<u>\$ 3,652,818</u>	<u>\$ 1,886,430</u>

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

**7. RECLAMATION OBLIGATIONS**

---

	September 30, 2012	December 31, 2011
Reclamation and remediation liability		
Current	\$ 222,059	\$ -
Non-current	43,219	-
	<u>\$ 265,278</u>	<u>\$ -</u>

---

**Site Restoration: Ochoa Project – New Mexico**

The Company completed drilling two water wells during fiscal 2012, which are currently being used for testing the flow and water quality among other things. These wells are intended to produce water for the mine and processing facility. The reclamation of these water wells in New Mexico is subject to legal and regulatory requirements. Estimates of the costs of reclamation 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 reclamation are reviewed periodically by authorized officers of the Company. The above accrual represents the Company's best estimate of the present value of future reclamation costs, discounted at 8% (based on discount rates used in our pre-feasibility study). As at September 30, 2012, the undiscounted amount of estimated future reclamation costs in 2056 based on today's costs with 6% inflation for 44 years is \$1,298,548 (December 31, 2011 - \$nil). Reclamation costs are expected to be incurred between 2012 and 2056.

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****SEPTEMBER 30, 2012**

---

**8. 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 Condensed Consolidated Interim Statement of Changes in Equity for a summary of changes in share capital and reserves for the nine months ended September 30, 2012. Reserves relate to stock options, agent warrants, and compensatory warrants that have been issued by the Company.

During the nine months ended September 30, 2012, the Company issued the following common shares;

- On March 1, the Company issued 30,000 common shares of the Company 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 of the Company at \$1.32 per share to a wholly owned subsidiary of Yara International ASA for aggregate gross proceeds of \$39,771,429. The financing costs associated with this share issuance were \$2,721,975.

**Escrow**

Included in the shares outstanding at September 30, 2012, are 1,559,999 (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.

The common shares will be released from escrow or become freely trading on December 16, 2012.

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****SEPTEMBER 30, 2012**

---

**9. 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 September 30, 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	0.91	August 28, 2013
2,940,000	0.40	1.70	June 14, 2014
250,000	1.00	1.74	June 28, 2014
250,000	0.58	2.50	March 31, 2015
650,000	0.45	2.56	April 22, 2015
1,102,245	0.40	2.84	August 4, 2015
272,255	0.40	2.97	September 19, 2015
950,000	0.50	2.97	September 19, 2015
450,000	0.58	3.11	November 8, 2015
100,000	0.80	3.15	November 22, 2015
500,000	1.42	3.29	January 13, 2016
1,000,000	1.40	3.46	March 17, 2016
335,000	1.06	3.61	May 9, 2016
500,000	1.13	3.79	July 14, 2016
1,263,750	1.07	4.05	October 17, 2016
400,000	1.03	4.40	February 23, 2017
2,600,000	0.90	4.57	April 26, 2017
<u>13,713,250</u>			

**IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**9. STOCK OPTIONS AND WARRANTS (cont'd...)**

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2011	10,647,000	\$ 0.74
Exercised	(30,000)	0.40
Cancelled/expired	(153,750)	2.17
Granted	<u>3,250,000</u>	0.92
Outstanding at September 30, 2012	<u>13,713,250</u>	<u>\$ 0.77</u>
Number of options exercisable at September 30, 2012	<u>13,713,250</u>	<u>\$ 0.77</u>

**Share-based compensation**

During the nine months ended September 30, 2012 and 2011, the Company granted 3,250,000 and 2,725,000 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 nine months ended September 30, 2012 determined by the Black-Scholes option pricing model, was \$2,168,313 (2011 - \$2,805,362) or \$0.67 per option (2011 - \$1.30).

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the periods ended September 30, 2012 and September 30, 2011:

	Period ended September 30, 2012	Period ended September 30, 2011
Risk-free interest rate	1.57%	2.48%
Expected life of options	4.33 years	4.51 years
Annualized volatility	107%	117%
Dividend rate	-	-
Forfeiture rate	-	-

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

**IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

---

**9. STOCK OPTIONS AND WARRANTS (cont'd...)****Warrants**

As at September 30, 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	0.96 years	September 15, 2013

---

---

Warrant transactions are summarized as follows:

---

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at December 31, 2011 and September 30, 2012	16,996,701	\$ 0.65

---

---

**Agents' unit options**

As at September 30, 2012, the Company had no agents' unit options outstanding.



**IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

---

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	<u>September 30, 2012</u>	<u>December 31, 2011</u>
Accounts payable and accrued liabilities	\$48,648	\$24,442

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

	<u>Three months ended</u>	
	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Short-term employee benefits	\$347,717	\$155,000
Directors' fees (included in administration costs)	62,500	62,917
Share-based compensation	-	426,040
<b>Total remuneration</b>	<u>\$410,217</u>	<u>\$643,957</u>

	<u>Nine months ended</u>	
	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Short-term employee benefits	\$1,214,271	\$552,000
Directors' fees (included in administration costs)	262,500	158,334
Share-based compensation	1,956,516	997,040
<b>Total remuneration</b>	<u>\$3,433,287</u>	<u>\$1,707,374</u>

**IC POTASH CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Cash and equivalents are comprised of:

	September 30, 2012		September 30, 2011	
Cash	\$	46,347,887	\$	4,007,738
CAD Term Deposits		-		23,000,000
US Term Deposits		-		2,080,000
	\$	46,347,887	\$	29,087,738

<b>Supplemental disclosure with respect to cash flows</b>	Period ended September 30, 2012	Period ended September 30, 2011
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Accrued exploration and evaluation assets	\$ 3,255,533	\$ 743,638
Accrued property, plant and equipment	\$ -	\$ -
Advances reclassified to exploration and evaluation assets	\$ 100,000	\$ -
Reserves transferred on exercise of options and agents' unit options	\$ 5,436	\$ 297,475
Reclamation obligation	\$ 268,272	\$ -

**12. COMMITMENTS**

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

2012	\$	25,956	USD	\$	6,285	CAD
2013		54,715			6,285	
	\$	80,671	USD	\$	12,570	CAD

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.

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****SEPTEMBER 30, 2012****13. SEGMENTED INFORMATION**

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

	September 30, 2012			December 31, 2011		
	Canada	USA	Total	Canada	USA	Total
Property, plant, and equipment	\$ 7,095	\$ 246,805	\$ 253,900	\$ 13,146	\$ 148,246	\$ 161,392
Exploration and evaluation assets	-	29,369,391	29,369,391	-	15,702,568	15,702,568
	<u>\$ 7,095</u>	<u>\$ 29,616,196</u>	<u>\$ 29,623,291</u>	<u>\$ 13,146</u>	<u>\$ 15,850,814</u>	<u>\$ 15,863,960</u>

**14. 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 September 30, 2012, 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 its current operating year. There were no significant changes in the Company's approach to capital management during the quarter and period ended September 30, 2012.

**IC POTASH CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

---

**15. 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 September 30, 2012, the Company had cash and equivalents balance of \$46,347,887 to settle current liabilities of \$3,874,877.

*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 \$64,000 impact on interest income.

**IC POTASH CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**SEPTEMBER 30, 2012

---

**15. 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 \$241,000 impact on foreign exchange gain or loss for the quarter.

*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.

**16. LOSS PER SHARE**

The loss per share for the three months ended September 30, 2012 was \$0.02 (2011 – \$0.01).

The calculation of basic and diluted loss per share for the three months ended September 30, 2012 was based on the loss attributable to common shareholders of \$2,306,182 (2011 – \$1,076,365) and the weighted average number of common shares outstanding of 151,406,384 (2011 – 121,067,166). The diluted loss per share did not include the effect of share purchase options or warrants as they are anti-dilutive.