

**IC POTASH CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Six Months Ended**

**June 30, 2010**

**(Unaudited)**

**IC POTASH CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
 Unaudited

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,785,793	\$ 7,358,172
Receivables	17,543	46,672
Prepaid expenses	<u>17,622</u>	<u>63,238</u>
	3,820,958	7,468,082
Equipment (note 4)	132,340	149,686
Deposits	95,267	52,697
Deferred Financing Costs (note 14)	314,729	-
Mineral properties (note 5)	<u>4,138,236</u>	<u>3,175,862</u>
	<u>\$ 8,501,530</u>	<u>\$ 10,846,327</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 983,225</u>	<u>\$ 1,324,260</u>
<b>Shareholders' equity</b>		
Capital stock (note 6)	12,305,072	12,305,072
Contributed surplus (note 6)	961,519	683,838
Deficit	<u>(5,748,286)</u>	<u>(3,466,843)</u>
	<u>7,518,305</u>	<u>9,522,067</u>
	<u>\$ 8,501,530</u>	<u>\$ 10,846,327</u>

**Basis of presentation** (note 1)  
**Nature of operations and going concern** (note 2)  
**Commitments** (note 10)  
**Subsequent events** (note 15)

**On behalf of the Board:**

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

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

**IC POTASH CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
Unaudited

	<b>Three month Period Ended 30-Jun-10</b>	Three month Period Ended 30-Jun-09	<b>Six month Period Ended 30-Jun-10</b>	Six month Period Ended 30-Jun-09
<b>EXPENSES</b>				
Administration	\$ 67,321	\$ 30,715	\$ 140,263	\$ 58,198
Amortization	11,133	160	21,849	160
Business and market development	7,077	14,598	31,757	33,535
Consulting fees	197,284	52,127	400,927	104,688
Foreign exchange (gain) loss	(142,346)	20,741	(44,889)	13,410
Investigation costs	-	5,380	-	8,036
Investor relations	79,555	18,735	191,384	20,298
Professional fees	94,041	68,193	198,179	89,175
Rent and storage	29,137	44,983	45,998	69,308
Regulatory fees	9,134	-	27,162	-
Stock-based compensation	277,681	72,532	277,681	72,532
Travel	51,696	31,013	119,049	43,812
Wages and benefits	298,805	278,014	575,879	535,040
<b>Loss before other items</b>	<b>(980,518)</b>	<b>(637,191)</b>	<b>(1,985,239)</b>	<b>(1,048,192)</b>
<b>OTHER ITEMS</b>				
Interest income	211	1,896	1,416	11,803
Write-off mineral properties (note 5)	-	-	(297,620)	-
	<b>211</b>	<b>1,896</b>	<b>(296,204)</b>	<b>11,803</b>
<b>Loss and comprehensive loss for the period</b>	<b>(980,307)</b>	<b>(635,295)</b>	<b>(2,281,443)</b>	<b>(1,036,389)</b>
<b>Deficit, beginning of the period</b>	<b>(4,767,979)</b>	<b>(1,330,527)</b>	<b>(3,466,843)</b>	<b>(929,433)</b>
<b>Deficit, end of period</b>	<b>\$ (5,748,286)</b>	<b>\$ (1,965,822)</b>	<b>\$ (5,748,286)</b>	<b>\$ (1,965,822)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding</b>	<b>59,397,490</b>	<b>40,800,001</b>	<b>59,397,490</b>	<b>40,691,667</b>

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

**IC POTASH CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Unaudited

	<b>Three Month Period Ended 30-Jun-2010</b>	Three Month Period Ended 30-Jun-2009	<b>Six Month Period Ended 30-Jun-2010</b>	Six Month Period Ended 30-Jun-2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (980,307)	\$ (635,295)	\$ (2,281,443)	\$ (1,036,389)
Items not affecting cash:				
Amortization	11,133	160	21,849	160
Stock-based compensation	277,681	72,532	277,681	72,532
Unrealized foreign exchange (gain) loss	(2,407)	6,184	(2,407)	1,600
Write-off mineral properties	-	-	297,620	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(2,606)	(6,582)	29,130	(6,835)
(Increase) decrease in prepaid expenses	32,250	21,448	45,617	(21,615)
Decrease in deposits	5,916	-	5,916	-
Increase (decrease) in payable and accrued liabilities	(200,467)	150,221	(148,894)	113,891
Net cash used in operating activities	<u>(858,807)</u>	<u>(391,332)</u>	<u>(1,754,931)</u>	<u>(876,656)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of equipment	(1,756)	(2,136)	(2,741)	(2,136)
Deferred transaction costs	-	(84,823)	-	(84,823)
Deposits for mineral projects	(29,680)	-	(46,079)	-
Expenditures on mineral properties	(275,635)	(185,503)	(1,366,246)	(336,378)
Net cash used in investing activities	<u>(307,071)</u>	<u>(272,462)</u>	<u>(1,415,066)</u>	<u>(423,337)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Share issuance costs	(236,730)	-	(402,382)	(5,018)
Net cash used in financing activities	<u>(236,730)</u>	<u>-</u>	<u>(402,382)</u>	<u>(5,018)</u>
<b>Decrease in cash for the period</b>	<b>(1,402,608)</b>	<b>(663,794)</b>	<b>(3,572,379)</b>	<b>(1,305,011)</b>
<b>Cash, beginning of period</b>	<b>5,188,401</b>	<b>3,572,735</b>	<b>7,358,172</b>	<b>4,213,952</b>
<b>Cash, end of period</b>	<b>\$ 3,785,793</b>	<b>\$ 2,908,941</b>	<b>\$ 3,785,793</b>	<b>\$ 2,908,941</b>

**Supplemental disclosure with respect to cash flows (note 9)**

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

**1. BASIS OF PRESENTATION**

These consolidated financial statements contained herein include the accounts of IC Potash Corp. (“IC Potash”) and its wholly-owned subsidiaries Intercontinental Potash Corp. (“ICP”) and Trigon Exploration Utah Inc. (collectively referred to as the “Company”).

The interim period consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). All amounts, unless specifically indicated otherwise, are presented in Canadian dollars. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of audited annual consolidated financial statements except as disclosed below.

Certain information and footnote disclosure normally included in consolidated financial statements prepared in accordance with GAAP has been condensed or omitted. These interim period financial statements should be read together with the Company’s most recent annual consolidated financial statements and the accompanying notes. In the opinion of management, the Company’s unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications may have been made to the prior period financial statements to conform to the current period presentation.

**2. NATURE OF OPERATIONS AND GOING CONCERN**

IC Potash, formerly Trigon Uranium Corp., was incorporated under the Canada Business Corporations Act on November 8, 2002. IC Potash’s primary business is the acquisition and exploration of mineral properties and it is considered to be in the exploration stage. To date IC Potash has not earned operating revenue.

On November 30, 2009, IC Potash acquired 100% percent of the outstanding common shares of ICP, a company involved in exploration for potash and potash-related minerals. The acquisition constituted a Reverse Take-over (“RTO”) and, although IC Potash is the legal parent of ICP, ICP was deemed to have acquired IC Potash for accounting purposes. Accordingly, the consolidated statements of operations and deficit and cash flows for the period ended June 30, 2009 are those of ICP.

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

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has incurred ongoing losses and there is uncertainty about its ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**IC POTASH CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2010**  
**Unaudited**

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**3. RECENT ACCOUNTING PRONOUNCEMENTS**

*(i) International Financial Reporting Standards (“IFRS”)*

The Canadian Accounting Standards Board (“AcSB”) announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. A changeover plan is being established to convert to the new standards within the allotted timeline. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

*(ii) Business Combinations*

In January 2009, the CICA issued Handbook Sections 1582 – *Business Combinations*, 1601 – *Consolidated Financial Statements*, and 1602 – *Non-Controlling Interests*, which replace Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements” effective January 1, 2011 with earlier adoption permitted. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 requires net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests to be reported as a component of equity. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for the Company’s interim and annual consolidated financial statements for the fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company is evaluating the future impact on its financial statements.

**4. EQUIPMENT**

	June 30, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 23,784	\$ 3,167	\$ 20,617	\$ 22,031	\$ 1,019	\$ 21,012
Computer equipment	53,269	11,538	41,731	50,519	1,959	48,560
Equipment	21,042	2,551	18,491	21,042	526	20,516
Exploration equipment	38,801	5,575	33,226	38,801	791	38,010
Vehicle	22,940	4,665	18,275	22,940	1,352	21,588
	<u>\$ 159,836</u>	<u>\$ 27,496</u>	<u>\$ 132,340</u>	<u>\$ 155,333</u>	<u>\$ 5,647</u>	<u>\$ 149,686</u>

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**5. MINERAL PROPERTIES**

<b>6 months ended June 30, 2010</b>	<b>Ochoa</b>	<b>Dove Creek</b>	<b>Sinbad</b>	<b>Pine Ridge</b>	<b>Other</b>	<b>Total</b>
<b>Acquisition costs</b>						
Balance, beginning of period	\$ 656,518	\$ 105,634	\$ 23,109	\$ 7,870	\$ 17,950	\$ 811,081
Additions during the period						
Landman costs	85,318	-	-	-	-	85,318
Permit application and acquisition	32,152	-	(14,286)	-	-	17,866
<b>Total acquisition costs</b>	<b>773,988</b>	<b>105,634</b>	<b>8,823</b>	<b>7,870</b>	<b>17,950</b>	<b>914,265</b>
<b>Deferred exploration costs</b>						
Balance, beginning of period	2,236,331	16,030	17,454	16,030	78,937	2,364,782
Additions during the period						
Data Acquisition	1,246	-	-	-	-	1,246
Analytical	22,307	-	-	-	-	22,307
Summer Interns	14,669	-	-	-	-	14,669
Geology	281,125	-	-	-	28,892	310,017
Archaeological studies	7,164	-	-	-	-	7,164
Land surveys	21,249	-	-	-	-	21,249
Metallurgical	54,561	-	-	-	-	54,561
Field expenses	74,629	-	-	-	-	74,629
Drilling	438,486	-	-	-	-	438,486
Mining Engineering	65,253	-	-	-	-	65,253
Pre-Feasibility	147,228	-	-	-	-	147,228
<b>Total deferred exploration costs</b>	<b>3,364,248</b>	<b>16,030</b>	<b>17,454</b>	<b>16,030</b>	<b>107,829</b>	<b>3,521,591</b>
<b>Write-down during the period</b>	<b>-</b>	<b>(121,664)</b>	<b>(26,277)</b>	<b>(23,900)</b>	<b>(125,779)</b>	<b>(297,620)</b>
<b>TOTAL</b>	<b>\$ 4,138,236</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,138,236</b>

**IC POTASH CORP.**  
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**5. MINERAL PROPERTIES (cont'd...)**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and to the best of its knowledge, title to the properties are in good standing.

a) Ochoa property

During the year 2008, the Company acquired certain permits located in Lea County, New Mexico. The permits are valid for two years with the next annual rent due on December 1, 2010. During 2010, the Company acquired additional permits with the next annual rent due on March 1, 2011 and leases with the next annual rent due on May 24, 2011. The permits are renewable every two years if the Company meets performance criteria. The Company also 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 balance sheet. The leases are good for ten years, with subsequent renewals as long as minerals are produced in paying quantities. As part of the acquisition of the Ochoa permits, the Company issued 500,000 common shares valued at \$30,000 during fiscal 2009.

The Ochoa Property is subject to a royalty of US\$1.00 per ton of polyhalite mined for the first 1,000,000 tons and US\$0.50 per ton thereafter. A 5% gross royalty is expected to be imposed by the federal government on the federal prospecting permits and a 2.5% gross royalty is expected to be imposed by the state of New Mexico on state leases. The Company signed a royalty agreement on September 28, 2009 for an additional 3% net profits royalty (the "Profit Royalty") for a term of 25 years commencing from the initiation of production of which 1% of the NSR is payable to a director of the Company. The Company may acquire, at its option, up to one-half of the Profit Royalties at a price of \$3,000,000 per 0.5%.

b) Other properties

In March 2010, the Company wrote off all other mineral properties (including Dove Creek, Sinbad, Pine Ridge, and Other) because the Company does not intend to advance these properties in the foreseeable future.

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares			
Common shares issued			
Balance as at December 31, 2009	59,397,490	\$ 12,305,072	\$ 683,838
Stock-based compensation	-	\$ -	\$ 277,681
Balance at June 30, 2010	59,397,490	\$ 12,305,072	\$ 961,519

**Escrow**

Included in the shares outstanding at June 30, 2010, are 4,225,622 (June 30, 2009 – nil) common shares held in escrow. The escrowed shares may not be transferred, assigned or otherwise dealt without the consent of the regulators.



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**7. STOCK OPTIONS AND WARRANTS**

**Stock options**

The Company has an incentive stock option plan (the “Plan”) whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market value at time of issue. 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 five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

As at June 30, 2010, the Company had stock options outstanding, enabling the holders to acquire the following number of common shares:

Number of Options	Exercise Price	Expiry Date
125,000	\$ 1.34	November 6, 2011
62,500	4.20	January 9, 2012
150,000	1.16	August 28, 2013
3,750,000	0.40	June 14, 2014
650,000	0.45	April 22, 2015
<u>4,737,500</u>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2009	4,175,000	\$ 0.55
Cancelled/expired	(87,500)	2.20
Granted	650,000	0.45
Outstanding at June 30, 2010	<u>4,737,500</u>	<u>\$ 0.53</u>
Number of options exercisable at June 30, 2010	<u>4,737,500</u>	<u>\$ 0.53</u>

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

**Stock-based compensation**

In April 2010, the Company granted 650,000 options to consultants of the Company. All options vested at the grant date. The fair value of the options, as determined by the Black-Scholes option pricing model, was \$277,681 or \$0.43 per option.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended June 30, 2010:

	June 30, 2010
Risk-free interest rate	3.16%
Expected life of options	5 years
Annualized volatility	112.53%
Dividend rate	0%

**Warrants**

As at June 30, 2010, the Company had warrants outstanding, enabling the holders to acquire the following number of common shares:

Number of Warrants	Exercise Price	Expiry Date
8,852,200	\$ 0.65	December 2, 2011
<u>68,750</u>	\$ 0.65	December 3, 2011
8,920,950		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at December 31, 2009 and June 30, 2010	8,920,950	\$ 0.65

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

**Agents' unit options**

As at June 30, 2010, the Company had agents' unit options outstanding, enabling the holders to acquire the following number of units:

Number of Unit Options	Exercise Price	Expiry Date
398,300	\$ 0.40	December 2, 2010
398,300		

Agents' unit option transactions are summarized as follows:

	Number of Unit Options	Weighted Average Exercise Price
Outstanding at December 31, 2009 and June 30, 2010	398,300	\$ 0.40

**8. RELATED PARTY TRANSACTIONS**

During the period ended June 30, 2010, the Company entered into the following transactions with related parties:

- Paid or accrued directors' fees, included in administrative costs, of \$21,750 (2009 - \$6,000) to directors of the Company.
- Paid or accrued consulting fees of \$nil (2009 - \$3,000) to directors of the Company.

Included in accounts payable as at June 30, 2010 is \$21,750 (December 31, 2009 - \$6,000) due to directors and corporations controlled by directors.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Supplemental disclosure with respect to cash flows	Three Months ending June 30, 2010	Three Months ending June 30, 2009
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Accrued mineral property expenditures	\$ 640,469	\$ 11,626
Accrued deferred financing costs	\$ 78,000	\$ -
Accrued equipment expenditures	\$ 1,762	\$ -

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**10. COMMITMENTS**

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

2010	\$	22,236	USD	\$	5,940	CAD
2011		25,590			-	
2012		16,469			-	
2013		5,543			-	
	\$	69,838	USD	\$	5,940	CAD

Please see note 15 for additional commitments.

**11. SEGMENTED INFORMATION**

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

	June 30, 2010			December 31, 2009		
	Canada	USA	Total	Canada	USA	Total
Equipment	\$ 63,036	\$ 69,304	\$ 132,340	\$ 75,028	\$ 74,658	\$ 149,686
Mineral Properties	-	4,138,236	4,138,236	-	3,175,862	3,175,862
	\$ 63,036	\$ 4,207,540	\$ 4,270,576	\$ 75,028	\$ 3,250,520	\$ 3,325,548

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Financial instruments*

The Company has designated its cash and deposits as held-for-trading, measured at fair value using level one as the basis for measurement in the fair value hierarchy. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The carrying value of receivables and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these instruments.

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

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 and savings 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 by placing its cash with high quality financial institutions and for receivables by standard credit checks. The Company's credit risk has not changed significantly from the prior period.

*Liquidity risk*

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2010, the Company had a cash balance of \$3,785,793 to settle current liabilities of \$983,225.

*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 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.

*Foreign currency risk*

The Company's functional currency is the Canadian dollar, however most major transactions are in US dollars. Thus, the Company has converted the majority of its cash to US currency. 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 \$29,271 impact on foreign exchange gain or loss.

*Price risk*

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

**13. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- (a) To safeguard its ability to continue as a going concern;
- (b) Continue the exploration of its mineral properties; and
- (c) Maintain a capital structure which optimizes the cost of capital at acceptable risk.

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital and options. The Company had no bank indebtedness at period-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.

The Company must rely on capital markets to support continued growth. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company is not subject to externally imposed capital requirements. The Company does not pay dividends.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the period ended June 30, 2010.

**14. DEFERRED FINANCING COSTS**

The Company has deferred \$314,729 of costs directly related to financing, including travel and financial consulting fees, on the balance sheet.

**15. SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2010:

- a) The Company granted 1,202,245 stock options to directors, officers, and employees. The options have an exercise price of \$0.40 and expire in three to five years.