Consolidated financial statements of

Potash Ridge Corporation

For the year ended December 31, 2012 and
from February 16, 2011(date of incorporation) to December 31, 2011

TABLE OF CONTENTS

	Page
Management's responsibility for financial reporting	3
Independent Auditor's Report	4
Consolidated statements of financial position	6
Consolidated statements of loss and comprehensive loss	7
Consolidated statements of changes in equity	8
Consolidated statements of cash flows	9
Notes to the consolidated financial statements	10 — 29

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Potash Ridge Corporation (the "Corporation") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, was appointed by the shareholders to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Board of Directors.

March 27, 2013

Independent Auditor's Report

To the Shareholders of
Potash Ridge Corporation

We have audited the accompanying consolidated financial statements of Potash Ridge Corporation, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2012 and for the period from February 16 to December 31, 2011, and the related notes, which comprise 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 (IFRS), 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.

Auditor's 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 auditor's 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J0B2
T: +1 416 863 1133, F: +1 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Potash Ridge Corporation as at December 31, 2012 and 2011 and its financial performance and its cash flows for the year ended December 31, 2012 and the period from February 16 to December 31, 2011, in accordance with IFRS.

(Signed) "PricewaterhoouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J0B2
T: +1 416 863 1133, F: +1 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

POTASH RIDGE CORPORATION

(An Exploration And Development Stage Entity)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian dollars)

As at December 31	**2012**	2011
ASSETS		
Current		
Cash and cash equivalents (Note 5)	**$ 17,800,890**	$ 16,707,246
Short term deposits (Note 5)	**4,975,000**	-
Restricted cash (Note 6)	**212,353**	-
Receivables (Note 7)	**361,386**	41,671
Other current assets	**227,434**	3,120
	23,577,063	16,752,037
Exploration and evaluation assets (Note 8)	**10,300,480**	2,292,127
Property, plant and equipment (Note 9)	**368,734**	5,688
Restricted cash (Note 6)	-	64,569
Other non-current assets	**108,708**	-
	$ 34,354,985	$ 19,114,421
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 1,677,517**	$ 1,850,441
SHAREHOLDERS' EQUITY		
Capital stock (Note 10)	**33,267,933**	16,398,381
Contributed surplus (Note 10)	**5,317,884**	1,994,582
Deficit	**(5,902,684)**	(1,129,365)
Accumulated other comprehensive (loss) income	**(5,665)**	382
	32,677,468	17,263,980
	$ 34,354,985	$ 19,114,421

Approved by the Board of Directors on March 27, 2013

(Signed) Guy Bentinck
Director

(Signed) Navin Dave
Director

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

POTASH RIDGE CORPORATION
(An Exploration And Development Stage Entity)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In Canadian dollars)

	Year ended December 31, 2012	Period from February 16 to December 31, 2011
EXPENSES		
Management, employee, director, general and administrative expenses	**$ 2,276,022**	420,292
Professional fees	**1,351,126**	120,004
Share-based compensation (Note 12)	**1,040,760**	577,500
Prospecting	**44,766**	28,899
Depreciation	**36,882**	1,138
	(4,749,556)	(1,147,833)
OTHER ITEMS		
Interest income	**103,837**	594
Foreign exchange (loss) gain	**(127,600)**	17,874
Net loss for the period	**(4,773,319)**	(1,129,365)
OTHER COMPREHENSIVE (LOSS) INCOME		
Foreign currency translation adjustment	**(6,047)**	382
Comprehensive loss for the period	**$ (4,779,366)**	$ (1,128,983)
Weighted average number of common shares outstanding	**67,705,453**	30,183,458
Basic and diluted loss per common share	**$ (0.07)**	$ (0.04)

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

POTASH RIDGE CORPORATION
(An Exploration And Development Stage Entity)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Canadian dollars)

	Number of common shares	Number of non-voting shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive (loss)/income	Total shareholders' equity
Balance at January 1, 2012	**66,215,966**	**-**	**$ 16,398,381**	**$ 1,994,582**	**$ (1,129,365)**	**$ 382**	**$ 17,263,980**
Initial public offering (Note 10)							
Net proceeds	**15,047,812**	**-**	**13,392,502**	**-**	**-**	**-**	**13,392,502**
Private placement (Note 10)							
Net proceeds	**-**	**5,055,254**	**4,970,426**	**-**	**-**	**-**	**4,970,426**
Non-voting warrants	**-**	**-**	**(1,516,576)**	**1,516,576**	**-**	**-**	**-**
Exercised warrants	**40,000**	**-**	**23,200**	**(3,200)**			**20,000**
Net loss	**-**	**-**	**-**	**-**	**(4,773,319)**	**-**	**(4,773,319)**
Effect on foreign currency translation	**-**	**-**	**-**	**-**	**-**	**(6,047)**	**(6,047)**
Share based compensation (Note 12)	**-**	**-**	**-**	**1,809,926**	**-**	**-**	**1,809,926**
Balance at December 31, 2012	**81,303,778**	**5,055,254**	**$ 33,267,933**	**$ 5,317,884**	**$ (5,902,684)**	**$ (5,665)**	**$ 32,677,468**
Balance at February 16, 2011	-	-	$ -	$ -	$ -	$ -	$ -
Private placements (Note 10,11)	66,215,966	-	17,003,110	-	-	-	17,003,110
Subscriber warrants (Note 10,11)	-	-	-	791,353	-	-	791,353
Broker unit options (Note 10,11)	-	-	(252,840)	252,840	-	-	-
Broker warrants (Note 10,11)	-	-	(351,889)	351,889	-	-	-
Share based compensation (Note 12)	-	-	-	598,500	-	-	598,500
Net loss	-	-	-	-	(1,129,365)	-	(1,129,365)
Effect on foreign currency translation	-	-	-	-	-	382	382
Balance at December 31, 2011	66,215,966	-	$ 16,398,381	$ 1,994,582	$ (1,129,365)	$ 382	$ 17,263,980

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

POTASH RIDGE CORPORATION
(An Exploration And Development Stage Entity)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian dollars)

	Year ended December 31 2012	Period from February 16 to December 31 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the periods	**$ (4,773,319)**	$ (1,129,365)
Items not affecting cash:		
Depreciation	**36,882**	1,138
Share based compensation (Note 12)	**1,040,760**	577,500
Changes in non-cash working capital items:		
Increase in receivables	**(319,715)**	(41,671)
Increase in other current assets	**(224,314)**	(3,120)
Increase in other non-current assets working capital	**(108,708)**	-
Increase in operating restricted cash	**(147,784)**	(64,596)
(Decrease) / increase in accounts payable and accrued liabilities	**(601,747)**	141,909
Net cash used in operating activities	**(5,097,945)**	(518,205)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(268,301)**	(6,826)
Increase in short term deposits	**(4,975,000)**	-
Payments for acquisition of Utah Alunite (Note 4)	**(99,500)**	(325,145)
Cash settled on exploration and evaluation assets	**(6,986,615)**	(1,001,141)
Net cash used in investing activities	**(12,329,416)**	(1,333,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of share capital and subscriber warrants	-	18,558,181
Net proceeds from issuance of IPO shares	**13,503,101**	-
Net proceeds from issuance of Private Placement Units	**5,004,701**	-
Net cash provided by financing activities	**18,507,802**	18,558,181
(Decrease) / increase in cash and cash equivalents for the period	**1,080,441**	16,706,864
Effect of foreign exchange rate changes on cash and cash equivalents	**13,203**	382
Cash and cash equivalents, beginning of the period	**16,707,246**	-
Cash and cash equivalents, end of the period	**$ 17,800,890**	$ 16,707,246

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

POTASH RIDGE CORPORATION
(An Exploration And Development Stage Entity)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012
(In Canadian dollars, except where otherwise noted)

1. NATURE OF OPERATIONS

Potash Ridge Corporation (the "Corporation") is a corporation operating under the Ontario Business Corporation Act. Its registered office is located in Toronto, Canada at 3 Church Street, Suite 600, Toronto, Ontario, M5E 1M2. The Corporation was originally incorporated on February 16, 2011 in British Columbia as 0903095 B.C. Ltd., and did not become operational until April 1, 2011. On May 24, 2011 the Corporation changed its name to New Earth Potash Corp. On October 21, 2011 the Corporation was continued in Ontario under the name Potash Ridge Corporation. The Corporation became a reporting issuer in all the provinces of Canada on November 27, 2012. On December 5, 2012 the Corporation closed its initial public offering (the "IPO") of Common Shares. The Common Shares were listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "PRK" on December 5, 2012.

The principal activity of the Corporation is the exploration and development of its Blawn Mountain alunite property in Utah. The Blawn Mountain property is located on lands belonging to the State of Utah, managed by the State of Utah School and Institutional Trust Lands Administration ("SITLA"). The Blawn Mountain property is the Corporation's only material development property.

Prior to the IPO the Corporation was financed with $19,019,475 of gross proceeds over four separate offerings since inception (see Note 10). Through the IPO the Corporation received gross proceeds of $14,944,746. Concurrent with the IPO the Corporation raised additional gross proceeds of $5,055,254 by way of a private placement of units (see Note 10).

On April 18, 2011, the Corporation purchased 100% of the interest in Utah Alunite, LLC ("UAL") a limited liability corporation in Utah (see Note 4). On April 17, 2012, Utah Alunite Corporation ("UAC"), a wholly-owned subsidiary of the Corporation, was incorporated in Delaware. All assets and liabilities of UAL were amalgamated with the newly formed UAC on May 8, 2012. Subsequent to the amalgamation UAL ceased to exist.

The Corporation is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to, the challenges of securing adequate capital to fund its activities, operational risks inherent in the mining industry, and global economic and commodity price volatility. The underlying value of the Blawn Mountain alunite property and the recoverability of the related capitalized costs are entirely dependent on the Corporation's ability to successfully develop the Blawn Mountain property by, among other things, developing an economic process to mine and process alunite into sulphate of potash, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of, its mineral property.

The Corporation incurred a comprehensive loss for the year ended December 31, 2012 of $4,779,366 (period from February 16 to December 31, 2011 - $1,128,983) and reported an accumulated comprehensive deficit of $5,902,684 as at December 31, 2012 (December 31, 2011

- $1,129,365). The Corporation's sole source of funding has been the issuance of equity securities for cash. As at December 31, 2012, the Corporation had $22,775,890 (December 31, 2011 - $16,707,246) in cash and cash equivalents and short term deposits. There are no sources of operating cash flows. The Corporation intends to use its existing cash resources to complete a pre-feasibility study, continue execution of its permitting strategy, complete metallurgical confirmation test work and pilot-scale test-work, and incur project management and general corporate and operating expenditures. The Corporation will continue to seek and evaluate various financing alternatives to address future development funding requirements. Although the Corporation has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in future fundraisings.

These consolidated financial statements have been prepared under the assumption that the Corporation will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2012. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on March 27, 2013.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Corporation's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as outlined in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants.

b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost convention, modified by the revaluation of any financial assets and financial liabilities at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiary UAC (and UAL prior to May 8, 2012). Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

d) Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and consideration issued by the Corporation in exchange for control of the subsidiary. Acquisition related costs are expensed as incurred.

e) Foreign currencies

The individual financial records of each group entity are kept in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency, as determined by management, of the Corporation is Canadian dollars and the functional currency of UAC is U.S. dollars. For the purpose of the consolidated financial statements, the results and financial position are reported in Canadian dollars.

Transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated at the rates of exchange prevailing on the underlying transaction dates.

Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign operations are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

f) Share based compensation

The Corporation has a stock option plan that allows the Corporation's employees, directors and consultants to acquire shares in the Corporation. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in contributed surplus. The fair value of option grants to executives who are primarily dedicated to the exploration and evaluation of mining properties are capitalized with a corresponding increase in contributed surplus. The fair value of options is measured using the Black- Scholes option pricing model and estimated forfeitures as at the grant date and is recognized over the vesting period. At each financial reporting date, the compensation expense is adjusted to reflect any changes to the Corporation's estimate of the number of awards that are expected to vest. Upon exercise of a share option, the consideration received is credited to share capital along with the amounts previously recognized in other reserves.

The corporation also recognizes share based compensation awards made in the current period through employment contracts. The estimated fair values of these awards are recognized over the service and vesting period. At each financial reporting date, the compensation expense is adjusted to reflect updated fair value estimates for the

awards, to the extent the awards have not been officially granted yet.

g) *Income taxes*

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carry-forwards.

Such deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The effect on future tax assets and liabilities of a change in tax rates is generally recognized in income in the period that includes the date of enactment or substantive enactment. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss. In the case of a business combination, the tax effect is included in the accounting for the business combination.

h) *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash at banks and on hand, and highly liquid money market instruments with an original maturity of three months or less.

i) *Short term deposits*

Short term deposits with original terms to maturity of greater than 90 days, but less than one year are recorded as short term deposits. Interest income, if applicable, on these short term deposits is recorded as earned over the term of the deposit.

j) *Common shares (share capital) and subscriber warrants*

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Subscriber warrants are classified within contributed surplus. Where common shares and subscriber warrants are offered together (as a "unit") the Corporation allocates the consideration received per unit, net of any issuance costs, to the common

shares and subscriber warrants based on their relative fair values. The fair value of warrants is measured using a Black-Scholes option pricing model.

k) Equity financing and listing costs

Costs directly identifiable with the raising of capital are charged against the related capital account. Costs related to securities not yet but likely to be issued are presented as a prepaid asset until the issuance of the securities, to which the costs relate, at which time the costs are charged against the related capital account or charged to earnings if the securities are not issued. Costs which are incurred as part of an actual or proposed listing of existing shares are expensed as incurred.

l) Exploration and evaluation expenditures

Exploration and development expenditures related to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, technical feasibility studies for extracting alunite and other costs directly attributable to exploration and development projects are capitalized. Mineral rights for exploration and evaluation are carried at cost less any accumulated impairment losses.

Where the Corporation is incurring costs to prospect or where it is preparing for or applying for prospecting rights, the Corporation expenses those costs as incurred.

m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The Corporation provides depreciation of its property plant and equipment at the following annual rates:

Office equipment	-	Straight line 3-5years
Leasehold improvements	-	Term of the lease

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

n) Impairment of long-lived assets

At each reporting period, the Corporation assesses changes to facts and circumstances and determines if there is an indication that the carrying amount of an asset may exceed its recoverable amount. One or more of the following facts and circumstances could give rise to the Corporation testing and evaluating assets for impairment:

i. the period for which the entity has the right to explore the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

ii. substantive expenditures on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

iii. exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

iv. sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset is made.

The recoverable amount is the higher of the fair value less costs to sell and value in use:

- Fair value less costs to sell is the amount obtainable from the sale of the asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties less costs of disposal. Fair value for mineral assets is often determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate that reflects current market assessments of the time value of money and risks specific to the asset to arrive at a present value of the asset.

- Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset or cash generating unit in its present form and its eventual disposal, discounted using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use calculations do not taken into account future development.

If the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized in the income statement. Previously recognized impairment losses are assessed each reporting period for any indications that the losses have decreased or no longer exist. Such an impairment loss is reversed, in full or in part, if there has been a change in the estimates used to determine the recoverable amount, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment losses had been recognized in previous years.

o) Loss per share

The Corporation presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Corporation 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.

p) Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of

the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

q) *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Refer to note 18 for analysis of categories of financial liabilities.

Other financial liabilities, including borrowings, are measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The Corporation derecognizes financial liabilities when the obligations are discharged, cancelled or expired.

r) *Future accounting standards and pronouncements*

IFRS 9 'Financial Instruments' ("IFRS 9")

This standard is the first step in the process to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 has an effective date of January 1, 2015, with early adoption permitted. The Company continues to monitor and assess the impact of this standard.

IFRS 10 'Consolidation' ("IFRS 10")

Effective for annual periods beginning on or after January 1, 2013, IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 'Consolidation — Special Purpose Entities' and parts of IAS 27 'Consolidated and Separate Financial Statements'. Based on the Corporation's existing operations, management does not believe that this standard will have a material impact on the Corporation's consolidated financial statements.

IFRS 11 'Joint Arrangements' ("IFRS 11")

Effective for annual periods beginning on or after January 1, 2013, IFRS 11 requires an entity to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the entity will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 will supersede IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities — Non-monetary Contributions'. Based on the Corporation's existing operations, management does not believe that this standard will have a material impact on the Corporation's consolidated financial statements.

IFRS 12 'Disclosure of Interests in Other Entities' ("IFRS 12")

Effective for annual periods beginning on or after January 1, 2013, IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. IFRS 12 carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities. Management does not believe that, based on the Corporation's existing operations, that this standard will have a material impact on the Corporation's consolidated financial statements.

IFRS 13 'Fair Value Measurement' ("IFRS 13")

Effective for annual periods beginning on or after January 1, 2013, IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the various standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. Management is currently analyzing the impact that any future implementation of this standard will have on the consolidated financial statements.

IAS 28 'Investments in Associates and Joint Ventures' ("IAS 28")

Effective for annual periods beginning on or after January 1, 2013, IAS 28 will be amended to provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. Management does not believe that, based on the Corporation's existing operations, that this standard will have a material impact on the Corporation's consolidated financial statements.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, which are described in note 2 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates

and associated assumptions are based on historical experience and other factors, including expectations of future events that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting estimates and judgments

The Corporation applied judgment in the determination of the types of expenses that are capitalized as mineral rights for exploration as described in the accounting policy in note 2(l).

The Corporation estimates the fair value of convertible securities such as warrants and options using the Black Scholes option-pricing model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. See accounting policies in Note 2(f) and 2(j) as well as Notes 11 and 12 for further details of significant assumptions applied to these areas of estimation.

4. ACQUISITION OF UAL

On April 18, 2011, the Corporation acquired all of the interests in UAL from its founding members for an aggregate purchase price of US$347,370. The purchase price comprised of US$262,370 advanced to UAL on April 1, 2011 to acquire its exclusive right to explore and an option to lease the Blawn Mountain property from SITLA, and US$85,000 payable to the vendors of UAL. The Corporation paid US$60,000 to the vendors on April 18, 2011 with the remaining US$25,000 payable on April 18, 2012. A further US$75,000 would become payable if and when UAL signs a mineral lease with SITLA relating to the Blawn Mountain alunite properties presently held. Accordingly, the US$75,000 was not recorded in these consolidated financial statements at December 31, 2011. On March 15, 2012, the Corporation and the vendors of UAL agreed to waive the condition for payment of US$75,000 to the vendors upon signing a mineral lease. Accordingly, US$75,000 became immediately payable to the vendors and was subsequently paid on April 12, 2012. UAL had no other assets or liabilities at the time of the acquisition. Accordingly, the purchase was considered an asset acquisition and the full purchase price was allocated to Exploration and Evaluation assets. As at December 31, 2012 and 2011, the Corporation holds a 100% ownership in its subsidiary.

5. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

Cash and cash equivalents consisted of $7,601,688 (December 31, 2011 - $15,477,140) in Canadian dollar denominated current accounts, and $10,199,202 (December 31, 2011 - $1,230,106) in U.S. dollar denominated current accounts. Short term deposits consisted of:

Amount	Currency	Rate	Maturity date
December 31 2012			
4,975,000	US$	0.3%	June 19, 2013
December 31 2011			
Nil			

All accounts and deposits are with a Canadian chartered bank with an AA credit rating from DBRS and AA- from Standard & Poor’s (see note 17) except US$258,000, which is held in a checking account with a Utah-based commercial bank.

6. RESTRICTED CASH

The Corporation has set aside $212,353 (December 31, 2011 - $64,596) relating to reclamation surety bonds required by SITLA for the Corporation's phase 2 drilling activities. These funds are to be released upon the Corporation meeting all of its obligations to SITLA relating to its drilling activities.

7. RECEIVABLES

Receivables of $361,386 (December 31, 2011 - $41,671) consisted entirely of goods and services tax ("GST") and harmonized sales tax ("HST") receivables.

8. EXPLORATION AND EVALUATION ASSETS

The following is a summary of exploration and evaluation expenditures related to the Corporation's Blawn Mountain alunite property that have been capitalized.

	As at December 31, 2012	As at December 31, 2011
Drilling	**$ 3,983,522**	$ 1,271,000
Preliminary economic assessment	**2,712,990**	100,002
Professional and labour	**1,125,222**	265,825
Acquisition of land mineral lease	**495,496**	351,845
Employee share based compensation (non-cash)	**790,166**	21,000
Employee salary and benefits	**570,171**	-
Data acquisition	**135,337**	137,295
Transportation	**183,888**	41,463
Equipment rentals	**176,095**	56,848
Field expenditures	**100,792**	23,465
Permit application and acquisition	**20,736**	20,737
Other	**6,065**	2,647
Total exploration and evaluation assets	**$ 10,300,480**	$ 2,292,127

9. PROPERTY, PLANT AND EQUIPMENT

The table sets out costs and accumulated depreciation as at December 31, 2012 and 2011.

Cost		**Property, plant and equipment As at December 31, 2012**
Balance as at December 31, 2011	**$**	**6,826**
Office equipment additions		**195,420**
Leasehold improvement additions		**203,758**
Balance as at December 31, 2012	**$**	**406,004**
Accumulated depreciation		
Balance as at December 31, 2011	**$**	**1,138**
Office equipment depreciation expense		**20,857**
Leasehold improvement depreciation expense		**15,275**
Balance as at December 31, 2012	**$**	**37,270**
Carrying amount as at December 31, 2012	**$**	**368,734**

Cost		**Property, plant and equipment As at December 31, 2011**
Balance as at February 16, 2011	$	-
Office equipment additions		6,826
Balance as at December 31, 2011	$	6,826
Accumulated depreciation		
Balance as at Februay 16, 2011	$	-
Office equipment depreciation expense		1,138
Balance as at December 31, 2012	$	1,138
Carrying amount as at December 31, 2011	$	5,688

10. ISSUED CAPITAL

a) *Authorized: the Corporation is authorized to issue an unlimited number of common shares ("Common Shares") and 50,000,000 non-voting shares.*

On December 4, 2012, the Corporation amended its articles to create a class of non-voting shares (the "Non-voting Shares")

b) *Issued and outstanding Common Shares:*

Issuances of Common Shares prior to IPO

Since inception the Corporation raised $19,019,475 in gross proceeds ($17,794,463 in net proceeds and prior to IPO after $1,225,012 of cash issuance costs but before taking into account $604,729 in non-cash issue costs) in a series of four rounds of financing.

i. “First Round” of financing: On February 16, 2011, the Corporation was incorporated with the issuance of one Common Share for $0.05. On April 5, 2011 and May 2, 2011, the Corporation collectively issued 22,649,999 Common Shares at $0.05 per share for total proceeds of $1,129,723, net of other issue costs of $2,777. No finders’ fees were paid or otherwise incurred on the financing.

ii. “Second Round” of financing: On August 8, 2011 the Corporation completed a private placement of 21,575,000 units at $0.25 per unit for gross proceeds of $5,393,750. Each unit consisted of one Common Share and one-half of a warrant to purchase one Common Share at an exercise price of $0.50 until November 27, 2014 (a period of up to two years beginning after the date the Corporation became a reporting issuer on November 27, 2012). Finder’s fees and other issue costs of $447,796 were incurred. In addition, 1,685,600 broker unit options (see note 11(b)) were issued to the agents. Each broker unit option allows the holder to exercise each option at a price of $0.25 per unit in exchange for one Common Share and one-half warrant to purchase a Common Share for $0.50 per share. The warrants expire on November 27, 2014 being the second anniversary of the date on which the Corporation became a reporting issuer (see note 11(a) and 11(b)). $0.21 of the $0.25 received per unit was allocated to share capital (before consideration of issue costs) or $4,530,750 in aggregate with the remaining $0.04 per unit or $863,000 in aggregate allocated to the subscriber warrant (before consideration of issue costs) based on their relative fair values at the time of issuance.

iii. “Third Round” of financing: On two separate closings: November 17, 2011 and December 5, 2011, the Corporation collectively issued 8,000,000 Common Shares at $0.25 per Common Share for $2,000,000 in gross proceeds. $120,000 (or 6% of the gross proceeds raised) was incurred by the Corporation as a finder’s fee to the agent involved in the financing.

iv. “Fourth Round” of financing: On December 29, 2011, the Corporation completed a private placement of 13,990,996 Common Shares at $0.75 per share for gross proceeds of $10,493,225. The Corporation incurred $654,439 of finder’s fees and other issue costs relating to the issuance. In addition, 839,458 broker warrants were issued to the agents (see note 11(d)). Each broker warrant entitles the holder to purchase one Common Share of the Corporation at an exercise price of $0.75 per Common Share. The warrants expire on November 27, 2014 being the second anniversary of the date on which the Corporation became a reporting issuer.

IPO

v. On December 5, 2012, the Corporation closed its IPO of 14,944,746 Common Shares of the Corporation at $1.00 per common share for aggregate gross proceeds of $14,944,746. The Corporation incurred $1,655,310 of underwriters’ commission and other issuance costs relating to the IPO. As partial compensation for the underwriters’ commission the Corporation issued 103,066 Common Shares to the underwriters.

c) *Issued and outstanding Non-Voting shares:*

i. On December 5, 2012, concurrent with the IPO, the Corporation issued 5,055,254 units of the Corporation (the “Private Placement Units”) to Sprott Resource Partnership (“SRP”) pursuant to an exemption from the prospectus requirements under applicable securities laws for an aggregate subscription price of $5,055,254. Each Private Placement Unit consists of one Non-voting Share and one warrant to acquire one Non-voting Share exercisable at a price of $1.00 until December 5, 2014 being two years following the closing date of the IPO. $0.70 of the $1.00 received per unit has been allocated to non-voting share capital (before consideration of issue costs), or $3,538,678 in aggregate, with the remaining $0.30 per unit or $1,516,576 in aggregate allocated to the warrants (before consideration of issuance costs) based on their relative fair values at the time of issuance. The Corporation incurred $84,828 of issuance costs for the Private Placement Units.

d) *Summary of financings and securities issued:*

		Common Shares				Convertible Securities					
	Note	Number of Voting Shares Issued	Number of Non-Voting Shares Issued	Share Capital	Note	Number of Subscriber Warrants	Number of Broker Options	Number of Incentive Options	Number of Broker Warrants	Number of Non-Voting Warrants	Contributed Surplus
Opening Balance at February 16, 2011		-	-	$ -		-	-	-	-	-	$ -
Private placements - First Round											
Feburary 16, 2011	10b)(i)	1	-	-		-	-	-	-	-	-
April 5, 2011	10b)(i)	21,999,999	-	1,100,000		-	-	-	-	-	-
May 2, 2011	10b)(i)	650,000	-	32,500		-	-	-	-	-	-
Issue costs - cash		-	-	(2,777)		-	-	-	-	-	-
Private placements - Second Round											
August 8, 2011	10b)(ii)	21,575,000	-	4,530,750	11a)	10,787,500	-	-	-	-	863,000
Issue costs - cash		-	-	(376,149)		-	-	-	-	-	(71,647)
Issue costs - broker options		-	-	(252,840)	11b)	-	1,685,600	-	-	-	252,840
Private placements - Third Round											
November 17, 2011	10b)(iii)	6,000,000	-	1,500,000		-	-	-	-	-	-
December 5, 2011	10b)(iii)	2,000,000	-	500,000		-	-	-	-	-	-
Issue costs		-	-	(120,000)		-	-	-	-	-	-
Share-based compensation		-	-	-	12c)	-	-	2,850,000	-	-	598,500
Private placement - Fourth Round											
December 29, 2011	10b)iv)	13,990,966	-	10,493,225		-	-	-	-	-	-
Issue costs		-	-	(654,439)		-	-	-	-	-	-
Issue costs - broker warrant	11c)	-	-	(351,889)		-	-	-	839,458	-	351,889
Balance at December 31, 2011		**66,215,966**	**-**	**$ 16,398,381**		**10,787,500**	**1,685,600**	**2,850,000**	**839,458**	**-**	**$ 1,994,582**
Initial public offering											
December 5, 2012	10b)v)	14,944,746	-	15,047,812		-	-	-	-	-	-
Issue costs		103,066	-	(1,655,310)		-	-	-	-	-	
Private placement - non-voting shares											
December 5, 2012	10c)		5,055,254	5,055,254		-	-	-	-	-	-
Issue costs		-	-	(84,828)		-	-	-	-	-	-
Issue costs - non-voting warrants		-	-	(1,516,576)		-	-	-	-	5,055,254	1,516,576
Exercised warrants	11a)	40,000	-	23,200		(40,000)	-	-	-	-	(3,200)
Share-based compensation	12b)	-	-	-		-	-	3,980,000	-	-	1,809,926
Balance at December 31, 2012		**81,303,778**	**5,055,254**	**$ 33,267,933**		**10,747,500**	**1,685,600**	**6,830,000**	**839,458**	**5,055,254**	**$ 5,317,884**

11. CONVERTIBLE SECURITIES – WARRANTS, BROKER WARRANTS OR OPTIONS

The following table reflects the actual convertible securities outstanding as at December 31, 2012:

Expiry date	Type	Fair value ($) (at issuance)	Exercise price ($)	Issued	Exercised	Outstanding
November 27, 2014 (a)	Subscriber warrants	0.04	0.50	10,787,500	40,000	10,747,500
November 27, 2014 (b)	Broker unit options	0.15	0.25	1,685,600	-	1,685,600
November 27, 2014 (c)	Broker warrants	0.42	0.75	839,458	-	839,458
December 5, 2014 (d)	Warrants	0.30	1.00	5,055,254	-	5,055,254
				18,367,812	40,000	18,327,812

During the period ended December 31, 2011 the Corporation issued convertible securities as follows:

a) *Subscriber warrants*

10,787,500 subscriber warrants were issued to purchase one common share of the Corporation at a price of $0.50 per common share as part of the Second Round of financing of August 8, 2011 (see note 10(b)(ii)). The subscriber warrants will expire on November 27, 2014 being the second anniversary of the date that the Corporation became a reporting issuer.

In December 2012, 40,000 subscriber warrants were exercised. The Corporation received gross proceeds of $20,000.

The allocated fair value of the warrants issued was $863,000 or $0.04 per half-warrant determined by using the Black Scholes option-pricing model. Key assumptions used were as follows:

Risk-free interest rate	0.81%
Annualized expected volatility	100%
Expected life of warrants	2.5 years
Dividend rate	0%

b) *Broker unit options*

1,685,600 broker unit options were issued as finders' fees on the closing of the Second Round of financing which closed on August 8, 2011. Each broker unit option allows the holder to exercise each option at a price of $0.25 per unit in exchange for one common share in the Corporation as well as one-half warrant to purchase a common share in the Corporation for $0.50 per share (see note 10(b)(ii)).

The warrants expire on November 27, 2014 being the second anniversary of the date that the Corporation became a reporting issuer.

The fair value of the broker options issued was $252,840 or $0.15 per option determined by using the Black Scholes option-pricing model. Key assumptions used were as follows:

Risk-free interest rate	0.81%
Annualized expected volatility	100%
Expected life of broker unit options	2.5 years
Dividend rate	0%

c) *Broker warrants*

839,458 broker warrants to purchase one common share in the Corporation at a price of $0.75 per common share were issued on December 29, 2011 as finders' fees on the Fourth Round of financing (see note 10(b)(iv)). The warrants expire on November 27, 2014 being the second anniversary of the date on which the Corporation became a reporting issuer.

The fair value of warrants issued was $351,889 or $0.42 per warrant determined by using the Black Scholes option-pricing model. Key assumptions used were as follows:

Risk-free interest rate	0.82%
Annualized expected volatility	100%
Expected life of broker warrants	2.33 years
Dividend rate	0%

d) *Private Placement Unit warrants*

5,055,254 warrants to purchase one Non-voting Share in the Corporation at a price of $1.00 per Non-voting Share were issued on December 5, 2012 (see note 10(c)). The warrants expire on December 5, 2014.

The fair value of warrants issued was $1,516,576 or $0.30 per warrant determined by using the Black Scholes option-pricing model. Key assumptions used were as follows:

Risk-free interest rate	0.97%
Annualized expected volatility	100%
Expected life of broker unit options	2 years
Dividend rate	0%

12. SHARE-BASED COMPENSATION

The Corporation maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors, or consultants of the Corporation, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or such committee. The stock option plan provides that the total number of common shares that may be reserved for issuance for all purposes under the stock option plan cannot be more than 10% of the outstanding common shares at the time of any grant of stock options. The terms of the options, including when they vest, are determined by the Board of Directors as they are granted.

The fair value of stock options granted during the year ended December 31, 2012 was estimated at the date of the grant using the Black Scholes option-pricing model. Key assumptions used were as follows:

Grant	January 2012	February 2012	December 2012 (1)
Exercise price	$0.75	$0.75	$1.00
Risk-free interest rate	0.86%	0.89%	0.97%
Annualized expected volatility	100%	100%	100%
Expected life of options	7.5 years	7.5 years	7.5 years
Dividend rate	0%	0%	0%
Forfeiture rate	0%	0%	0%
Value per option	$0.63	$0.63	$0.84

(1) These assumptions were used for stock options that are committed for issuance at a future date (subsequent to December 31, 2012).

The following table reflects the continuity of stock options for the year ended December 31, 2012 and for the period ended December 31, 2011.

	Number of stock options	Weighted average exercise price ($)
Balance, February 16 , 2011	-	-
Granted (a)	2,850,000	0.25
Cancelled/expired	-	-
Balance, December 31, 2011	2,850,000	0.25
Cancellation / expired	-	-
Granted (b)	3,980,000	0.94
Balance, December 31, 2012	**6,830,000**	**0.65**
Exercisable, December 31, 2012	**4,850,000**	**0.51**

a) During the period ended December 31, 2011 the Corporation granted a total of 2,850,000 stock options to directors and officers. The stock options were granted with a term of 10 years from the date of grant and are exercisable at a price of $0.25. The stock options vested fully on grant.

b) During the year ended December 31, 2012 the Corporation granted a total of 3,980,000 stock options to directors, officers and certain employees. 1,010,000 stock options were granted with a term of 10 years from the date of grant and are exercisable at a price of $0.75. These stock options vested fully on grant. A further 2,970,000 stock options were granted with a term of 10 years and are exercisable at a price of $1.00. These options vest on the following schedule: 1/3 on grant, 1/3 a year after grant, 1/3 two years after grant.

As at December 31, 2012 the Corporation has committed to the issuance of 700,000 stock options in a subsequent period to certain officers. The estimated share based compensation of these committed stock option grants recorded in the year ended December 31, 2012 was $103,075.

The total share-based compensation of $1,809,926 for the year ended December 31, 2012 (period ended December 31, 2011 - $598,500) was recorded as follows:

Year (Period) ended December 31,	2012	2011
Share-based compensation	**1,040,760**	577,500
Exploration and evaluation assets	**769,166**	21,000
	1,809,926	598,500

The following table summarizes incentive stock options outstanding at December 31, 2012:

Number outstanding	Number vested and exercisable	Exercise price	Expiry date	Weighted average remaining actual life (years)
2,500,000	2,500,000	$0.25	December 9, 2021	8.9
350,000	350,000	0.25	January 5, 2013	0.0
600,000	600,000	0.75	January 26, 2022	9.1
350,000	350,000	0.75	January 5, 2013	0.0
60,000	60,000	0.75	February 1, 2022	9.1
2,970,000	990,000	1.00	December 5, 2022	9.9
6,830,000	4,850,000			

13. INCOME TAXES

As at December 31, 2012 the Corporation has Canadian tax losses of $4,073,960 that expire between 2031 and 2032, U.S. tax losses of $432,518 that expire between 2031 and 2032, and other deductible temporary differences of $3,397,353, the benefits of which have not been recognized in the consolidated financial statements.

Income tax expense varies from the amount that would be computed from applying the combined federal and provincial tax rate to accounting loss before taxes as follows:

	2012	2011
Consolidated loss before taxes	**$(4,773,319)**	$(1,129,365)
Expected tax recovery at combined statutory rate of 26.5%	**1,264,929**	319,046
Impact of differences between Canada and United States	**27,108**	8,987
Non-deductible expenses	**(275,801)**	(163,144)
Losses not recognized	**(1,016,236)**	(164,889)
Total tax recovery	**$—**	$—

14. SEGMENTED INFORMATION

The Corporation operates in one reportable segment, that being the exploration, evaluation and development of mineral properties. The Corporation’s development property is located in the United States of America.

15. RELATED PARTY TRANSACTIONS

The Corporation’s related parties as defined by IAS 24 “Related Party Disclosures” (“IAS 24”), include the Corporation’s subsidiary, executive and non-executive directors, senior officers and entities controlled or jointly controlled by Corporation directors or senior officers.

The total 2012 and 2011 compensation expense incurred by the Corporation including its subsidiary is summarized in the tables below:

	Salary or Fee	Bonus	Share-Base Award	Other	Total
Year End Dec 31, 2012					
Senior officers	$ 775,019	$ 330,000	$ 1,305,202	$ 224,630	$ 2,634,851
Directors	183,500	-	472,500	-	656,000
Year End Dec 31, 2011					
Senior officers	135,088	-	493,500	-	628,588
Directors	40,000	-	84,000	-	124,000

16. COMMITMENTS AND CONTINGENCIES

Under the terms of the amended Exploration Agreement with SITLA dated August 21, 2012, the Corporation is required to pay US$69,300 on the second anniversary (April 1, 2013) of executing the Exploration Agreement.

A further contingent payment of US$1,020,000 is due to SITLA if and when a mining lease is granted to the Corporation in relation to Blawn Mountain as well as US$11,550 in ongoing annual acreage rental fees. A mining lease is contingent on, amongst other things, a Positive Prefeasibility Study (as defined in the Exploration Agreement) being completed by the Corporation.

In addition, SITLA is entitled to a production royalty of 5% of the gross value of potash and clay minerals and 4% of the gross value for metalliferous minerals (including alumina) as a result of the mining of alunite from the Blawn Mountain property.

The future minimum payments under operating leases are as follows:

	Lease Payments
For the year ending:	
2013	$ 213,132
2014	173,082
2015 and beyond	377,927
Total	**$ 764,141**

17. RISK MANAGEMENT

Capital risk management

The Corporation defines capital as total shareholders' equity including share capital, other reserves, deficit and accumulated other comprehensive loss. The Corporation manages its capital to ensure that adequate funds are available or are scheduled to be raised to carry out the Corporation's defined development program and to meet its ongoing administrative costs.

This is achieved by the Board of Directors' review and acceptance of budgets that are achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other fund raisings.

The Corporation is not subject to any externally imposed capital requirements imposed by a regulator or lending institution.

Liquidity risk management

The Corporation manages liquidity risk by maintaining adequate cash balances in order to meet liabilities as they come due. As at December 31, 2012 the Corporation had cash and cash equivalents and short term deposits balance of $22,775,890 (December 31, 2011 - $16,707,246) to settle liabilities of $1,677,517 (December 31, 2011 - $1,850,441) and other commitments of $833,441 (December 31, 2011 - $124,740). None of the Corporation's financial liabilities or commitments are interest bearing.

The Corporation regularly monitors actual cash flows to budgets and updates projected cash forecasts as needed. The Corporation will defer discretionary expenditures, as required, in order to manage and conserve its available cash balances for current liabilities and commitments.

Foreign currency risk management

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash. Short term deposits consist of term deposits with a Canadian chartered bank and are callable at any time prior to maturity.

As at December 31, 2012 the cash and cash equivalents and short term deposit balance was $22,775,890 (December 31, 2011 - $16,707,606). The Corporation's cash and cash equivalents and short term deposits are denominated in the following currencies:

	As at December 31,	
	2012	2011
Cash and cash equivalents		
Denomination in Canadian dollars	**$7,601,688**	$15,477,140
Denomination in U.S. dollars	**10,199,202**	$1,230,106
Short term deposits		
Denomination in U.S. dollars	**4,975,000**	-
Cash and cash equivalents and short term deposits	**$22,775,890**	$16,707,246

The Corporation undertakes transactions denominated in foreign currencies and consequently, is exposed to exchange rate risks. Exchange rate risks are managed by matching levels of foreign currency balances and related obligations. The rate published by the Bank of Canada at the close of business on December 31, 2012 was US$1.005 (December 31, 2011 - $0.98) per Canadian dollar. Based on the balances at December 31, 2012, income will increase or decrease by approximately $759,000 (December 31, 2011 - $62,000) given a 5% increase or decrease in the US dollar to Canadian dollar.

Interest rate risk management

The Corporation's overall exposure to the risk of changes in market interest rates relates primarily to its bank current account balances and short-term marketable securities. At prevailing market interest rates, the impact on interest income is minimal.

Credit risk management

The Corporation's main credit risk arises from its cash deposits with banks. All of the Corporation's cash and cash equivalent balances are with one major Canadian chartered bank. The Corporation limits its counterparty credit risk on its deposits by dealing only with highly rated financial institutions.

18. CATEGORIES OF FINANCIAL INSTRUMENTS

	Financial Instrument Classification	Dec 31, 2012	Dec 31, 2011
Financial assets			
Cash and cash equivalents	Loans and receivables	$ 17,800,890	$ 16,707,246
Short term deposits	Loans and receivables	4,975,000	-
Restricted cash	Loans and receivables	212,353	64,569
Receivables	Loans and receivables	361,386	41,671
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	$ 1,677,517	$ 1,850,441

The carrying amount of each of the financial instruments represents the fair value thereof.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year`s presentation.

20. SUBSEQUENT EVENTS

On January 3, 2013 350,000 stock options were exercised. The Corporation received gross proceeds of $87,500.