

ATHABASCA POTASH INC.
CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
SEPTEMBER 30, 2007

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management.

The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

ATHABASCA POTASH INC.
CONSOLIDATED BALANCE SHEET
(unaudited)

	September 30, 2007	December 31, 2006
		(audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,791,899	\$1,246,436
GST receivable	209,339	30,087
Due from Ruby Energy Inc. (Note 3)	—	300,000
Deposits — contractors	112,500	56,996
Deposits — land purchase	40,000	—
Deferred share issue costs	47,500	10,000
	7,201,238	1,643,519
Deposits — permits (Note 4)	1,154,200	378,720
Capital assets (Note 5)	28,798	2,536
Mineral property (Note 6)	5,321,644	813,754
	\$13,705,880	\$2,838,529
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 880,237	\$ 178,964
Future income taxes (Note 7)	550,765	—
	1,431,002	178,964
Contingency (Note 8)		
 SHAREHOLDERS' EQUITY		
Share capital (Note 7)	11,927,914	2,626,775
Contributed surplus (Note 7)	985,379	87,873
Deficit	(638,415)	(55,083)
	12,274,878	2,659,565
	\$13,705,880	\$2,838,529

Approved by the Board

DAWN ZHOU
Director

GARY BILLINGSLEY
Director

ATHABASCA POTASH INC.
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
(unaudited)

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Interest income	\$ 108,518	\$ 3,002	\$ 135,898
Expenses			
Amortization	—	—	301
Management fees and wages	80,149	15,699	148,690
Office	6,279	985	8,739
Insurance	16,280	—	16,280
Professional fees	27,206	—	59,563
Promotion	18,457	1,162	56,830
Rent	13,500	3,000	33,000
Repairs and maintenance	805	—	955
Stock based compensation	403,672	—	403,672
	<u>566,349</u>	<u>20,846</u>	<u>728,031</u>
Loss before income taxes	(457,830)	(17,844)	(592,132)
Income taxes	—	—	8,800
Net loss	(457,830)	(17,844)	(583,332)
Deficit, beginning of period	(180,585)	—	(55,083)
Deficit, end of period	\$ (638,415)	\$ (17,844)	\$ (638,415)
Basic and diluted loss per share	\$ (0.020)	\$ (0.008)	\$ (0.038)
Weighted average number of shares outstanding	23,477,072	2,325,950	15,169,165

ATHABASCA POTASH INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	For the three months ended September 30		For the nine months ended September 30
	2007	2006	2007
Cash Flows from Operating Activities			
Net loss	\$ (457,830)	\$ (17,844)	\$ (583,332)
Items not affecting cash			
Amortization	—	—	301
Future income taxes (recovery)	—	—	(8,800)
Stock based compensation	403,672		403,672
Net changes in non-cash working capital items related to operations:			
GST receivable	(164,021)	(943)	(179,253)
Accounts payable	(2,164)	1,044	(10,174)
	(220,343)	(17,743)	(377,586)
Cash Flows from Investing Activities			
Purchase of capital assets	(841)	(1,048)	(28,571)
Deposits	(102,000)	(290,620)	(870,984)
Mineral property expenditures	(3,841,491)	(460,206)	(4,287,880)
Accounts payable — mineral properties	871,447	—	711,447
Due from Ruby Energy Inc.	150,000	(300,000)	300,000
	(2,922,885)	(1,051,874)	(4,175,988)
Cash Flows from Financing Activities			
Deferred share issue costs	—	(15,000)	(37,500)
Proceeds from issuance of shares, net of issue costs	—	1,100,750	10,136,537
	—	1,085,750	10,099,036
Net (decrease) increase in cash during the period	(3,143,228)	16,133	5,545,463
Cash, beginning of period	9,935,127	—	1,246,436
Cash, end of period (Note 9)	\$ 6,791,899	\$ 16,133	\$ 6,791,899

ATHABASCA POTASH INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
SEPTEMBER 30, 2007

1. NATURE OF OPERATIONS

Athabasca Potash Inc. (the "Company" or "API") was incorporated under the Business Corporations Act of Saskatchewan on April 10, 2006 and commenced operations on August 14, 2006. API's Articles of Incorporation were amended by way of a Certificate of Amendment. The Company has been formed to engage primarily in the exploration of potash in the province of Saskatchewan.

These financial statements have been prepared on the basis of Canadian generally accepted accounting principles as applicable to a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete exploration and development, and future production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared to reflect the following significant accounting policies:

Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, 101102166 Saskatchewan Ltd. All intercompany transactions are eliminated on consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term investments in money market funds.

Deferred share issuance costs

Certain share costs have been deferred in anticipation of the Company's initial public offering ("IPO").

Capital assets

Capital assets are recorded at cost. Amortization is provided on a declining balance basis over the estimated useful life of the asset. Annual amortization rates are as follows:

Automobiles	30%
Furniture and equipment	20%

Mineral properties

The Company capitalizes mineral property acquisition costs and exploration and development expenditures on a property-by-property basis. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method, or written down to their estimated fair value if the properties are abandoned, allowed to lapse, there is little prospect of further work being carried out by the Company or there has been a permanent impairment in their value, with the associated write-down being charged to operations.

Mineral property acquisition costs include the cash consideration paid and the appropriate value of common shares issued. The amounts shown for mineral properties represent costs incurred to date, less recoveries and write-downs, and do not necessarily reflect present or future values.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences), and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment.

The Company finances a portion of its exploration activities through the use of flow-through shares. The Company records the tax cost of expenditures renounced to subscribers on the date the deductions are renounced to the subscribers. Share capital is reduced and

ATHABASCA POTASH INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

future income tax liabilities are increased by the estimated tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carry-forwards and tax pools in excess of book value available for deduction.

Non-monetary transactions

Non-monetary transactions are measured at the more reliably measurable amount of either the fair value of the asset given up or fair value of the asset received.

Income per share

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds received on exercise of warrants would be used to purchase common shares at the average market price during the year. The weighted average number of shares outstanding is then adjusted by the net change.

Stock-based compensation plan

The Company has adopted revised CICA Handbook Section 3870, "Accounting for Stock-Based Compensation and Other Stock-Based Payments". The revision of Section 3870 requires that when stock options or other stock-based compensation awards ("Incentives") are granted, a fair value be calculated and assigned to these Incentives and the calculated value be recognized in the financial statements in the period the Incentives vest with the recipient. This revision effectively requires companies to expense the fair value of stock-based compensation as options are granted and vesting occurs. No subsequent recovery of these expensed amounts is recognized if previously expensed stock-based compensation Incentives expire unexercised. Previously, no compensation expense was recognized when options were granted to employees, officers and directors ("Grantees") and any consideration paid to Grantees upon excesses of these stock options was credited to share capital.

The Company uses the Black-Scholes option-pricing method to determine the fair value of these Incentives.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include determination of the recoverability of capitalized mineral costs, fair value of related party transactions, stock-based compensation expenses, useful lives for amortization of capital assets, and contingencies reported in the notes to the financial statements. Financial results as determined by actual events could differ from those estimates.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should underlying assumptions change, the estimated net recoverable value could change by a material amount.

Financial instruments, comprehensive income and hedges

On January 1, 2005, the CICA issued Handbook Sections 3855, "Financial Instruments — Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company has adopted these new standards effective January 1, 2007. The company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. DUE FROM RUBY ENERGY INC.

The amount due from Ruby Energy Inc., a company controlled by a director of API, is associated with the sale of lease interests in oil property held by the API. The amount due is non-interest bearing and is to be repaid in six monthly instalments of \$50,000, starting January 31, 2007. At the end of the period, the Ruby Energy Inc. balance was paid in full.

4. DEPOSITS — PERMITS

Deposits for exploration permit applications are administrated under the Saskatchewan Subsurface Mineral Regulations. Deposits totalling the estimate of the rental costs of the land for the first year, plus \$100 for an application fee and \$2,000 are required for an exploration permit application. This secures the applicant's seniority on the applied land for exploration rights. During the process, the applicant is entitled to a refund for all deposits except for the application fee if it decides to withdraw the application.

5. CAPITAL ASSETS

	2007			December 31, 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automobiles	\$26,775	\$2,008	\$24,767	\$ —
Furniture and equipment	4,614	583	4,031	2,536
	<u>\$31,389</u>	<u>\$2,591</u>	<u>\$28,798</u>	<u>\$2,536</u>

6. MINERAL PROPERTY

	September 30, 2007 Burr Property	December 31, 2006 Burr Property
Balance, beginning of period	\$ 813,754	\$ —
Expenditures during the year		
Acquisition cost		
Potash mineral exploration permits	—	303,755
Surface land	146,229	—
Freehold mineral rights	249,694	—
Exploration		
Drilling	3,447,485	123,568
Geophysics	273,860	206,524
Management/consulting fees	65,099	103,069
Permits/surveys/mapping	152,521	61,114
Stock based compensation	173,002	15,724
	<u>\$5,321,644</u>	<u>\$813,754</u>

Burr property

On August 31, 2006, API and Athabasca Resources Inc. ("ARI") entered into a purchase and sale agreement whereby ARI sold its permit to prospect for subsurface minerals to API for 2,272,727 common shares at a price of \$0.22 per common share, for a sales price of \$500,000. ARI and API are under common control and are therefore related parties. This related party transaction is recorded at \$303,755, which is the carrying value of the property in ARI's records on August 31, 2006. The difference between the exchange amount of \$500,000 and the carrying value of \$303,755 was charged to share capital of API.

To date the Company has completed a two dimensional surface seismic survey that covered the eastern half of the Burr Project and drilled five potash test wells totaling 5,617 metres on the Burr Project. The 2007 test wells were drilled in the central part of the project site to explore areas the 2D seismic survey indicated as favourable for potash mineralization or for investigation of geological structures. Visual review of the core confirms the presence of potash in each of the drill holes.

ATHABASCA POTASH INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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7. SHARE CAPITAL

Authorized an unlimited number of common shares without par value and an unlimited amount of Class A preference shares without par value.

Common shares issued

	<u>Common Shares</u>	<u>Share Capital</u>
Balance, April 10, 2006	—	\$ —
Non flow-through private placement	2,702,273	740,750
Flow-through private placement	4,888,888	1,760,000
Issued for mineral properties	2,272,727	303,755
Share issue costs	—	(177,730)
Balance, December 31, 2006	<u>9,863,888</u>	<u>\$ 2,626,775</u>
Non flow-through private placement	7,895,556	\$ 5,921,667
Flow-through private placement	5,767,628	5,190,865
Share issue costs	—	(1,811,393)
Balance, September 30, 2007	<u>23,527,072</u>	<u>\$11,927,914</u>

Upon incorporation, the Company issued 750,000 common shares for total consideration of \$750.

During August of 2006, the Company issued 2,272,727 common shares with a value of \$303,755 to ARI as consideration for the acquisition of mineral properties (Note 4). Also during August of 2006, the Company issued 227,273 common shares for gross proceeds of \$50,000, as well as 2,200,000 flow-through common shares for gross proceeds of \$550,000.

During September 2006, the Company issued 562,500 common shares for gross proceeds of \$225,000, as well as 1,848,941 flow-through common shares for gross proceeds of \$832,023.

During December 2006, the Company issued 1,162,500 common shares for gross proceeds of \$465,000, as well as 839,947 flow-through common shares for gross proceeds of \$377,977.

During June 2007, the Company had two private placements. The first placement in June resulted in the Company issuing 3,463,600 flow-through common shares at a price of \$0.90 per share and 3,448,800 non-flow through common shares at a price of \$0.75 per share for gross proceeds of \$5,703,840. In lieu of cash commissions, the agent was granted 8% of the total flow-through and non-flow through shares issued in the placement. This resulted in an additional 275,904 non-flow-through common shares and 277,088 flow-through common shares being issued to the agent.

The second placement in June resulted in the Company issuing 1,830,500 flow-through common shares at a price of \$0.90 per share and 3,861,900 non-flow through common shares at a price of \$0.75 per share for gross proceeds of \$4,543,875. In lieu of cash commissions, the agent was granted 8% of the total flow-through and non-flow through shares issued in the placement. This resulted in an additional 146,440 flow-through common shares and 308,952 non-flow through common shares being issued to the agent.

The calculation of the fully diluted loss per share excludes the effects of the issued stock options and broker warrants on the weighted average number of shares outstanding component of the calculation as these are anti-dilutive in nature.

During September 2007, the Company issued 50,000 flow-through shares at a price of \$0.90 as part of a purchase of the Freehold Mineral Rights.

The Company finances a portion of its exploration activities through the use of flow-through shares. During the first quarter of the year, the Company renounced the eligible expenditures to investors and recorded \$559,565 of share issue costs related to the future income tax liability of the temporary difference arising from the renunciation.

Stock options

Options granted are non transferable, vest when issued, and will expire the earlier of five years after issuance, the 90th day after holder ceases to be a director or officer of the Company, or one year after death of the holder.

A summary of the status of the Company's stock option plan and changes during the periods ended September 30, 2007 is presented below.

ATHABASCA POTASH INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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7. SHARE CAPITAL (Continued)

For options outstanding at September 30, 2007, weighted average exercise prices are as follows:

	September 30, 2007		December 31, 2006	
	Options	Price	Options	Price
Outstanding, beginning of period	986,389	\$0.34	—	\$—
Options granted	1,241,317	0.75	986,389	0.34
	<u>2,227,706</u>	<u>\$0.57</u>	<u>986,389</u>	<u>\$0.34</u>

Options Price Per Share	Number Outstanding	Weighted Average Remaining Life
.25	545,000	3.92
.45	441,389	4.25
.75	1,241,317	4.81
	<u>2,227,706</u>	<u>4.47</u>

During 2006, the Company granted a total of 986,389 stock options (545,000 in August 2006 and 441,389 in December 2006). The strike price for the options were \$0.25 and \$0.45 respectively for a period of five years. The value of these options, using the Black-Scholes option-pricing model, was \$22,463. A portion of the fair value of the stock options is allocated to mineral properties, with the remainder allocated to the stock-based compensation expense with a corresponding increase in contributed surplus.

The fair value of stock options issued in 2007 were estimated using the Black-Scholes option-pricing model, with the following assumptions: risk free rate of 4.69% and 4.56%, volatility of 73.3%, dividend yield of nil and expected term of five years. During 2007, the Company granted a total of 1,241,317 stock options (1,106,317 in July 2007 and 145,000 in August 2007). The strike price for the options was \$0.75 for a period of five years. The value of these options, using the Black-Scholes option-pricing model was \$576,674, of which \$173,002 is allocated to mineral properties and the remainder allocated to the stock-based compensation expense with a corresponding increase in contributed surplus.

Broker warrants

On certain issues of common shares, the Company granted broker warrants as partial consideration to the agent for services associated to the share issuance. Each broker warrant entitles the agent to acquire one common share of the Company for a period of 24 months from closing. The broker warrants issued in 2006 and 2007 were fair valued at nil and \$320,832 respectively. The fair value of the broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions; volatility of 73.3% (December 31, 2006 — nil), risk free rate of return of 4.69% (December 31, 2006 — 3.79%), expected dividend of nil and expected term of two years. The continuity of share purchase warrants for the period ended September 30, 2007 is as follows:

Expiry Date	Exercise Price	Balance December 31, 2006	Issued	Exercised	Expired	Balance September 30, 2007
June 6, 2009	\$0.75	0	552,992	—	—	552,992
June 29, 2009	0.75	0	455,392	—	—	455,392
		<u>\$ 0</u>	<u>\$1,008,384</u>	<u>—</u>	<u>—</u>	<u>\$1,008,384</u>

Prior Year broker warrants

Expiry Date	Exercise Price	Balance December 31, 2006	Issued	Exercised	Expired	Balance September 30, 2007
September 29, 2008	\$0.45	192,915	—	—	—	192,915
December 7, 2008	0.45	160,196	—	—	—	160,196
		<u>\$353,111</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$353,111</u>

ATHABASCA POTASH INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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7. SHARE CAPITAL (Continued)

Contributed surplus

The fair values of certain stock options and broker warrants have been valued using the Black-Scholes option-pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital. A summary of the contributed surplus activity is as follows:

	2007	2006
Balance, December 31, 2006	\$ 87,873	\$ —
Fair value of options granted	576,674	22,463
Gain on property sale to related party	—	65,410
Fair value of broker warrants granted	320,832	—
Balance, September 30, 2007	\$985,379	\$87,873

8. CONTINGENCY

While the Company has performed its own due diligence with respect to title of its properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects. If the Issuer defaults with respect to making payments or completing assessment work as required in order to keep its mineral claims in good standing, the Issuer may lose its rights to the properties underlying such claims.

The Company has not obtained all subsurface mineral rights and subsurface rights necessary to develop its current exploration projects. In addition, access to potash mineralization not owned by the Crown must be negotiated with Freehold Mineral Rights owners and private land owners and cannot be assured.

9. NOTE TO THE STATEMENT OF CASH FLOWS

During the year, non-cash financing and investing activities were as follows:

	2007	2006
Flow-through common shares issued for mineral properties	\$45,000	\$—

10. COMMITMENTS

The Company is required to pay \$37,500 each year as lease payments on permits for the Burr area project as well as annual work commitments of \$40,000 under KP 308.

Starting 2008, the Company has annual work commitments of \$360,000 and annual rental commitments of \$430,492 under a total of nine Permits held.

11. RELATED PARTY TRANSACTIONS

- a) During the period ended September 30, 2007, the Company paid \$33,000 rent for office space, equipment and furniture to CSIT Consulting Inc., a company controlled by Dawn Zhou, a director and officer of the Company.
- b) During the period ended September 30, 2007, the Company paid \$5,000 to Gary Billingsley, a director and officer of the Company, for consulting services.
- c) During the period ended September 30, 2007, the Company paid \$12,500 for administrative support to CSIT Consulting Inc., a company controlled by Dawn Zhou, a director and officer of the Company.

The above transactions are in the normal course of operations and are measured at the exchange amount which approximates fair value and is the amount of consideration established and agreed to by the related parties.

12. INCOME TAXES

In June 2007, the Government of Canada enacted legislation that amended the Canadian Income Tax Act that provide for a 0.5% reduction in the general corporate income tax. The federal rate will decline in 2011 from 19% to 18.5%. Under Canadian GAAP, the cumulative effect of a change in income tax legislation on future income tax assets and liabilities is included in a company's financial

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12. INCOME TAXES (Continued)

statements in the period of substantive enactment. Accordingly, the Company reduced its future income tax liability and recognized a recovery of income tax in the second quarter of 2007 of \$8,800.

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company is required to incur and renounce \$1,760,000 of qualifying exploration expenditures for tax purposes on or before December 31, 2007.

13. SUBSEQUENT EVENTS

The Company on December 6, 2007, filed a final prospectus for the sale and issue of up to 10,140,000 common shares at a price of \$4.25 per share, for aggregate proceeds of \$43,095,000. Gross proceeds of the offering will be used for exploration and development of the Burr potash property, to carry out general exploration on properties of merit, and for working capital. Also, during the current period, the Company entered into a underwriting agreement with a syndicate of underwriters ("Underwriters") to appoint them as underwriters of the Company's IPO. Pursuant to the underwriting agreement, the Underwriters will receive commission equal to 6% of gross proceeds of the common share offering. The Underwriters will be granted an over-allotment option entitling them to purchase 15% of the aggregate number of common shares sold under the offering.

14. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The carrying amounts of cash, amounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of those instruments.

15. COMPARATIVE FIGURES

The company did not have operations for the complete nine months ended September 30, 2006, therefore no nine month comparatives are shown.