

ATHABASCA POTASH INC.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2008

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim consolidated 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 2008	December 31 2007
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 38,388,163	\$ 44,170,557
Interest receivable	179,106	93,368
Other receivable and prepaids	456,784	361,830
	39,024,053	44,625,755
Deposits - long term assets (Note 3)	763,603	1,217,400
Capital assets (Note 4)	368,224	29,420
Mineral properties (Note 5)	25,389,540	9,413,202
	\$ 65,545,420	\$ 55,285,777
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 4,089,647	\$ 1,779,404
Future income taxes	1,168,634	-
	5,258,281	1,779,404
Contingency (Note 6)		
<u>SHAREHOLDERS' EQUITY</u>		
Share capital (Note 7)	57,203,926	51,762,028
Contributed surplus (Note 7)	5,662,917	4,495,951
Deficit	(2,579,704)	(2,751,606)
	60,287,139	53,506,373
	\$ 65,545,420	\$ 55,285,777

Approved by the Board

“John King Burns”
Director

“Jim Gardiner”
Director

ATHABASCA POTASH INC.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

(unaudited)

	For the Three Months		For the Nine Months	
	Ended September 30		Ended September 30	
	2008	2007	2008	2007
Interest income	\$ 330,770	\$ 108,518	\$ 1,244,858	\$ 135,898
Expenses				
Amortization	14,815	-	18,616	301
Business development and investor relations	136,883	20,337	350,848	58,710
Directors fees	48,675	2,234	172,435	2,234
Management salary and wages	223,036	52,016	613,712	120,557
Office and administration	176,045	57,952	296,869	80,062
Professional fees	108,409	30,139	227,777	62,496
Stock based compensation	309,868	403,672	448,791	403,672
	1,017,731	566,349	2,129,048	728,031
Loss before income taxes	(686,961)	(457,831)	(884,190)	(592,133)
Future income tax recovery	112,450	-	1,056,092	8,800
Net income (loss)	(574,511)	(457,831)	171,902	(583,333)
Deficit, beginning of period	(2,005,193)	(180,585)	(2,751,606)	(55,083)
Deficit, end of period	\$ (2,579,704)	\$ (638,416)	\$ (2,579,704)	\$ (638,416)
Basic earnings (loss) per share	\$ (0.02)	\$ (0.01)	\$ 0.00	\$ (0.01)
Diluted income (loss) per share	\$ (0.02)	\$ (0.01)	\$ 0.00	\$ (0.01)
Weighted average number of shares outstanding	36,611,159	10,887,740	36,611,159	10,887,740

ATHABASCA POTASH INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2008	2007	2008	2007
Cash flows from Operating Activities				
Net income (loss)	\$ (574,511)	\$ (457,831)	\$ 171,902	\$ (583,333)
Items not affecting cash				
Amortization	14,815	-	18,616	301
Stock based compensation	309,868	403,672	448,791	403,672
Future income taxes (recovery)	(112,450)	-	(1,056,092)	(8,800)
Net changes in non-cash working capital items related to operations:	-	-		
Interest receivable	(30,872)	-	(85,738)	-
Prepaid expenses	(124,853)	-	(116,713)	-
	<u>(518,003)</u>	<u>(54,159)</u>	<u>(619,234)</u>	<u>(188,160)</u>
Cash flows from Investing Activities				
Purchase of capital assets	(301,863)	(842)	(383,977)	(28,571)
GST receivable	(288,032)	(164,020)	21,759	(179,252)
Deposits - permits	250,500	188,500	667,400	(580,485)
Deposits - land and contractors	236,999	(140,255)	(213,603)	(140,255)
Mineral property expenditures	(10,153,789)	(4,059,497)	(14,149,538)	(4,505,886)
Accounts payable - mineral properties	3,529,715	879,286	2,310,243	861,277
	<u>(6,726,470)</u>	<u>(3,296,828)</u>	<u>(11,747,716)</u>	<u>(4,573,172)</u>
Cash flows from Financing Activities				
Deferred share issue costs	-	-	-	(47,745)
Proceeds from issuance of shares	42,657	538,835	7,143,141	11,538,653
Share issue costs	(69,629)	(346,769)	(558,585)	(1,184,113)
	<u>(26,972)</u>	<u>192,066)</u>	<u>6,584,556)</u>	<u>10,306,795)</u>
Net increase (decrease) in cash during the period	(7,271,445)	(3,158,921)	(5,782,394)	5,545,463)
Cash, beginning of period	45,659,608	9,950,820	44,170,557	1,246,436
Cash, end of period	<u>\$ 38,388,163</u>	<u>\$ 6,791,899</u>	<u>\$ 38,388,163</u>	<u>\$ 6,791,899</u>

ATHABASCA POTASH INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2008

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 interim consolidated financial statements have been prepared by management using the same accounting policies and methods as were used for the consolidated financial statements for the year ended December 31, 2007, except for the following new accounting pronouncements which have been adopted. These consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements filed on SEDAR.

As required by the Canadian Institute of Chartered Accountants ("CICA"), on January 1, 2008, the Company adopted CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments-Disclosures*, and Section 3863, *Financial Instruments-Presentation*. Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate objectives, policies and processes for managing capital. Sections 3862 and 3863 replaced Section 3861, *Financial Instruments – Disclosure and Presentation*, and increase emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Application of these pronouncements had no impact on reported results of operations.

3. Deposits- Long Term Assets

Deposits for exploration permit applications are administrated under the Saskatchewan Subsurface Mineral Regulations. Deposits consist of the estimate of the rental costs of the land for the first year, \$100 for an application fee and \$2,000 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.

Land deposits in the amount of \$40,000 and deposits to contractors in the amount of \$677,603 have been paid in advance to secure property and professional services for exploration on the Burr Project.

ATHABASCA POTASH INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2008

4. Capital Assets

	September 30 2008		December 31, 2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automobiles – exploration truck	\$ 26,775	\$ 9,137	\$ 17,638	\$ 22,759
Furniture and equipment	36,095	2,953	33,142	6,109
Operations software	1,723	145	1,578	-
Exploration equipment	41,915	4,210	37,705	-
Exploration software	53,933	19,515	34,418	-
Leasehold improvements	257,305	13,562	243,743	552
	<u>\$ 417,746</u>	<u>\$ 49,522</u>	<u>\$ 368,224</u>	<u>\$ 29,420</u>

5. Mineral Property

Mineral properties are made up of the following:

	<u>Burr Property</u>	<u>Other Properties</u>	<u>Total</u>
Balance, December 31, 2006	\$ 813,754	\$ -	\$ 813,754
Acquisition costs			
Surface land	1,094,442	-	1,094,442
Freehold mineral rights	249,694	-	249,694
Permits	55,880	418,394	474,274
Exploration			
Drilling	3,579,765	-	3,579,765
Geophysics	1,749,966	-	1,749,966
Engineering and consulting fees	152,092	34,875	186,967
Stock based compensation	1,264,340	-	1,264,340
Balance, December 31, 2007	\$ 8,959,933	\$ 453,269	\$ 9,413,202
Acquisition costs			
Surface land	4,044,055	-	4,044,055
Freehold mineral rights	756,743	-	756,743
Permits	354,919	734,882	1,089,801
Exploration			
Drilling	3,789,288	-	3,789,288
Geophysics	43,167	932,312	975,482
Engineering and consulting fees	3,436,912	57,257	3,494,169
Amortization	26,557	-	26,557
Stock based compensation	1,800,243	-	1,800,243
Balance, September 30, 2008	<u>\$ 23,211,817</u>	<u>\$ 2,177,723</u>	<u>\$ 25,389,540</u>

ATHABASCA POTASH INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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SEPTEMBER 30, 2008

5. Mineral Property (continued)

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 of Dawn Zhou 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.

Stock based compensation in the amount of \$977,052 relates to the value of stock options per the Black Scholes method which were issued to officers and management who were wholly or partially dedicated to the Burr Project. The balance relates to the tax effects of the stock options issued.

6. 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. 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.

7. Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares.

Common Shares Issued

	<u>Common Shares</u>	<u>Share Capital</u>
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
Initial public offering	10,140,000	43,095,000
Broker warrants exercised	378,731	305,018
Stock options exercised	354,250	94,098
Flow through renunciation	-	(475,200)
Share issue costs	-	(4,996,195)
Balance, December 31, 2007	<u>34,400,053</u>	<u>\$ 51,762,028</u>
Exercise of over-allotment	1,521,000	6,464,250
Broker warrants exercised	939,530	884,821
Stock options exercised	42,500	52,946
Flow through renunciation	-	(1,401,534)
Share issue costs	-	(558,585)
Balance, September 30, 2008	<u>36,903,083</u>	<u>\$57,203,926</u>

ATHABASCA POTASH INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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SEPTEMBER 30, 2008

7. Share Capital (continued)

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. 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 2007 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.

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.

On December 13, 2007, the Company completed its initial public offering of 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. The Offering was sold through an underwriting syndicate. The Company has granted the underwriting syndicate an over-allotment option to purchase up to 1,521,000 common shares at the price of \$4.25 per share. The option was exercisable, in whole or in part, within 30 days subsequent to December 13, 2007 to cover over-allotments if any, and for market stabilization purposes. Pursuant to the underwriters' agreement, the underwriters received commission equal to 6% of gross proceeds of the common share offering. The underwriters were granted the over-allotment option entitling them to purchase 15% of the aggregate number of common shares sold under the offering.

The over-allotment option granted to the underwriting syndicate in conjunction with the initial public offering of December 13, 2007 was exercised January 10, 2008, resulting in a purchase from treasury of 1,521,000 common shares of the Company at a price of \$4.25 per share for gross proceeds of \$6,464,250.

ATHABASCA POTASH INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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SEPTEMBER 30, 2008

7. Share Capital (continued)

In January 2008 the Company issued 358,463 common shares for aggregate proceeds of \$260,372 pursuant to the exercise of broker warrants, for an average exercise price of \$0.7263 per common share. In particular, 28,249 common shares were issued for the exercise price of \$0.45 per share for proceeds of \$12,712, and 330,214 common shares were issued for the exercise price of \$0.75 per share for proceeds of \$247,660.

In January 2008 the Company issued 190,039 common shares for aggregate proceeds of \$105,927 pursuant to the exercise of broker warrants, for an average exercise price of \$0.5574 per common share. In particular, 122,007 common shares were issued for the exercise price of \$0.45 per share for proceeds of \$54,903, and 68,032 common shares were issued for the exercise price of \$0.75 per share for proceeds of \$51,024.

In February 2008 the Company issued 103,476 common shares for aggregate proceeds of \$72,240 pursuant to the exercise of broker warrants for an average exercise price of \$0.6981 per common share. In particular, 17,889 common shares were issued for the exercise price of \$0.45 per share for proceeds of \$8,050, and 85,587 common shares were issued for the exercise price of \$0.75 per share for proceeds of \$64,190.

In May 2008 the Company issued 5,000 common shares for aggregate proceeds of \$3,750 pursuant to the exercise of broker warrants for an exercise price of \$0.75 per common share.

In June 2008 the Company issued 258,592 common shares for aggregate proceeds of \$193,944 pursuant to the exercise of broker warrants for an exercise price of \$0.75 per common share.

In July 2008 the Company issued 42,500 common shares for aggregate proceeds of \$31,875 pursuant to the exercise of stock options for an exercise price of \$.75 per common share.

In September 2008 the Company issued 23,960 common shares for aggregate proceeds \$10,782 pursuant to the exercise of broker warrants for an exercise price of \$0.45 per share.

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 \$1,401,534 of share issue costs related to the future income tax liability of the temporary difference arising from the renunciation.

Stock Options

The Company has established a stock option plan under which options may be granted to directors and officers of the Company. Options granted are non-transferable, depending on the terms of issuance options vest when issued, or on a date two years after their issuance 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.

ATHABASCA POTASH INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2008

7. Share Capital (continued)

A summary of the status of the Company's stock option plan and changes during the periods ended September 30, 2008 is presented below.

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Balance December 31, 2007</u>	<u>Issued</u>	<u>Exercised</u>	<u>Balance September 30, 2008</u>
August 31, 2011	\$ 0.25	190,750	-	-	190,750
December 31, 2011	0.45	441,389	-	-	441,389
July 9, 2012	0.75	1,106,317	-	42,500	1,063,817
August 2, 2012	0.75	135,000	-	-	135,000
December 10, 2012	4.25	1,340,000	-	-	1,340,000
February 15, 2013	6.29	-	75,000	-	75,000
April 14, 2013	6.45	-	125,000	-	125,000
August 28, 2013	5.31	-	75,000	-	75,000
		<u>3,213,456</u>	<u>275,000</u>	<u>42,500</u>	<u>3,445,956</u>

<u>Option Price Per Share</u>	<u>Number of Options Outstanding</u>	<u>Weighted Average Remaining Life</u>
\$0.25	190,750	2.92
\$0.45	441,389	3.25
\$0.75	1,198,817	3.77
\$4.25	1,340,000	4.21
\$5.31 - \$ 6.43	<u>275,000</u>	<u>4.60</u>
	<u>3,445,956</u>	<u>3.89</u>

The fair value of stock options issued are estimated using the Black-Scholes option-pricing model, with the following assumptions: risk free rate, volatility, dividend yield and weighted average expected option life and expected forfeiture rate. During 2007, the Company granted a total of 2,581,317 stock options (1,106,317 in July, 135,000 in August, and 1,340,000 in December 2007). The strike price for the options granted in July 2007 and August 2007 was \$0.75 and \$4.25 for the options granted in December 2007 and are available for a period of five years. The value of these options, using the Black-Scholes option-pricing model, was \$4,162,053 of which \$1,248,616 is allocated to mineral properties and the remainder allocated to the stock-based compensation expense with a corresponding increase in contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate 3.89%-4.69%, expected life of options five years, annualized volatility 73.3% and dividend rate of nil.

ATHABASCA POTASH INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

SEPTEMBER 30, 2008

7. Share Capital (continued)

In the first quarter of 2008, the Company granted a total of 75,000 stock options. The fair value of stock options was estimated using the Black-Scholes option-pricing model, with the following assumptions: risk free rate of 3.23%, volatility of 133%, dividend yield of nil and expected term of five years. The fair value as calculated using the Black-Scholes model was \$421,358, which was added to the cost of the mineral properties with a corresponding increase in contributed surplus.

In the second quarter of 2008, the Company granted a total of 125,000 stock options. The fair value of stock options was estimated using the Black-Scholes option-pricing model, with the following assumptions: risk free rate of 3.23%, volatility of 133%, dividend yield of nil and expected term of five years. The fair value as calculated using the Black-Scholes model was \$694,617, with \$138,923 added to stock based compensation expense and \$555,694 added to the cost of the mineral properties with a corresponding increase in contributed surplus.

In the third quarter of 2008, the Company granted a total of 75,000 stock options. The fair value of stock options was estimated using the Black-Scholes option-pricing model, with the following assumptions: risk free rate of 3.15%, volatility of 105%, dividend yield of nil and expected term of five years. The fair value as calculated using the Black-Scholes model was \$309,868, which was added to stock based compensation expense.

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, 2007 – nil), risk free rate of return of 4.69% (December 31, 2007 - 3.79%), expected dividend of nil and expected term of two years. The continuity of share broker warrants for the quarter ended September 30, 2008 is as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	Balance <u>December 31,</u> <u>2007</u>	<u>Issued</u>	<u>Exercised</u>	<u>Expired</u>	Balance <u>September 30,</u> <u>2008</u>
September 29, 2008	\$ 0.45	107,036	-	(107,035)	-	1
December 7, 2008	0.45	85,069	-	(85,069)	-	-
June 6, 2009	0.75	552,992	-	(530,034)	-	22,958
June 29, 2009	0.75	<u>237,667</u>	<u>-</u>	<u>(217,392)</u>	<u>-</u>	<u>20,275</u>
		<u>982,764</u>	<u>-</u>	<u>(939,530)</u>	<u>-</u>	<u>43,234</u>

ATHABASCA POTASH INC.

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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:

	September 30 <u>2008</u>	December 31, <u>2007</u>
Balance, Beginning of Year	\$ 4,495,951	\$ 87,873
Fair value of stock options granted	1,425,843	4,162,053
Fair value of broker warrants granted	-	320,832
Less: broker warrants exercised	(237,805)	(69,272)
Less: stock options	<u>(21,071)</u>	<u>(5,535)</u>
Balance, September 30, 2008	<u>\$ 5,662,917</u>	<u>\$ 4,495,951</u>

Shareholders' Rights Plan

The directors of the Company approved a shareholder rights plan ("Rights Plan") on May 12, 2008. In the event a bid to acquire control of the Company is made, the Rights Plan is designed to give the directors of the Company time to consider alternatives to allow shareholders to receive full and fair value for their shares. In the event that a bid, other than a permitted bid, is made, shareholders become entitled to exercise rights to acquire common shares of the Company at a significant discount to the market price.

8. Commitments

The Company is required to pay annual rent of \$0.50 per acre on each permit held for a term of five years and is committed to annual rental payments of \$833,238 under a total of eighteen permits as of September 30, 2008.

For each permit, the Company is required to expend \$40,000 in each of the second and third years of the term, and \$80,000 in the fourth and fifth years of the term on work for the purpose of exploring for, developing or mining subsurface minerals. The total work commitment under the twenty three permits held at September 30, 2008 is as follows: 2008 - \$480,000, 2009 - \$960,000; 2010 - \$1,400,000; 2011 - \$1,760,000; 2012 - \$880,000.

9. Related Party Transactions

During the period ended September 30, 2008, the Company paid \$92,201 rent and occupancy costs for office space, equipment and furniture and has incurred \$239,472 in leasehold improvements costs to the property owned by 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.

ATHABASCA POTASH INC.

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10. Income Taxes

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company is required to incur and renounce \$5,190,865 of qualifying exploration expenditures for tax purposes on or before December 31, 2008. The required amount has been exceeded at the end of September, 2008.

11. 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.

12. Comparative figures

Certain of the comparative figures have been reclassified to conform with the current period's presentation.