

**ATHABASCA POTASH INC.**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**

*This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Athabasca Potash Inc. for the three months ended March 31, 2008, and the respective notes thereto. Certain statements contained in this MD&A are forward looking statements that involve risks and uncertainties. Please read the cautionary note at the end of this document. The financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.*

**Dated:** May 12, 2008

**Overall Performance:**

Athabasca Potash Inc. (the "Company" or "API") was incorporated under *The Business Corporations Act* (Saskatchewan) on April 10, 2006, and is in the exploration stage. As of the date hereof, the Company has not had any revenue from operations other than interest income. The Company is actively engaged in the exploration of potash projects in Saskatchewan, Canada. The Company's objectives are to establish itself as the pre-eminent Canadian public company engaged solely in potash exploration and development.

During the three months ended March 31, 2008, the Company raised a total of \$6,902,790 through the issuance of common shares, before issuance costs, upon the exercise of the over-allotment and brokers warrants related to the IPO completed in December of 2007. Expenditures on mineral properties totaled \$2,918,186 for the quarter, compared to \$115,624 during the first quarter of 2007, before stock based compensation costs. Total assets increased to \$61,322,898 at March 31, 2008 from \$55,285,777 at December 31, 2007, with \$46,644,026 of total assets represented by cash and cash equivalents compared to \$44,170,557 at the end of the previous year.

Expenses for the period ended March 31, 2008 increased \$361,159 and totaled \$424,995 compared to \$63,836 for the three months ended March 31, 2007. The majority of this increase is due to the fact that the first three months of 2008 represent a significant increase in activity in all areas, including the related increase in personnel at senior management and staff levels over the same period in 2007. Revenues increased \$523,902 to \$534,560 for the three months ended March 31, 2008 from \$10,658 for the same three months in 2007. This increase is due to interest income earned on the significantly higher cash deposits during the three month period in 2008 compared to 2007.

During the three months ended March 31, 2008, API continued to focus on exploration and development of its 100%-owned Burr Project. A 3-D seismic survey was completed in January 2008 and the compilation and interpretation of the survey data is in progress. The drill results from the five drill holes completed in 2007 were received and an updated 43-101 compliant resource estimate is being prepared by AMEC Americas Ltd. ("AMEC"). API has also been aggressive in purchasing surface rights and freehold mineral rights in the Burr Project area. This strategy helps ensure that potential mine site locations are secured, and, where freehold mineral rights are purchased, may increase the overall resource.

In a continued commitment to developing an experienced management team and good corporate governance, API appointed Mr. Bradley Fettis as Chief Mine Development Engineer during the quarter and subsequent to March 31, 2008, appointed Mr. Terry Walbaum as Chief Operating Officer.

### **Selected Annual Information**

The following table presents financial data for the year ended December 31, 2007 and from inception to December 31, 2006:

	2007	2006
	\$	\$
Total revenues	293,380	13,663
Net loss	2,696,523	55,083
Basic loss per share	0.155	0.02
Diluted loss per share	0.155	0.02
Total assets	55,285,777	2,838,529
Long-term liabilities	Nil	Nil
Cash dividends	Nil	Nil

Increases in revenues from 2006 to 2007 were due to the interest earned from significant cash on hand from the completion of the IPO in December 2007. The total asset figure also increased significantly due to completed financings resulting in an increased cash position, and increased expenditures on mineral properties in 2007. The increase in the net loss in 2007 over 2006 was due to a full year of operations and significantly more activity in all administrative areas including promotion, rent, wages and professional fees paid. As well, the stock based compensation charge for 2007 was \$2,913,437 compared to only \$6,739 in 2006.

All data is in Canadian dollars prepared in accordance with Canadian GAAP applied on a consistent basis.

### **Results of Operations**

The three months ended March 31, 2008 represented a significantly larger operating entity than during the same period in 2007. In the first full quarter as a publicly-traded company, the focus continued to be the exploration and development of the Company's 100%-owned Burr Project.

Operating costs increased during the period to \$424,995 for the three months ended March 31, 2008, compared to \$63,836 for the same three months in 2007. This increase was reflected in all cost categories as API became a fully operating entity. Management fees and wages increased by \$201,319 to \$220,389 in the first quarter of 2008 from \$19,070 for the same period in 2007. This was due to an increase in the number of management personnel and employees to handle full operations. Professional fees increased to \$39,621 from \$20,335 last year as a result of increased legal and accounting consultation. As a result of now being a public company, business development and investor relations expenses increased to \$56,433 for the first three months in 2008, from \$18,744 for the same period the previous year, when the Company was still private. The need for increased office space resulted in rent increasing to \$13,500 for the first quarter 2008 from \$4,500 in the first quarter of 2007. Related office expenses also increased for the first three months of 2008 to \$29,509 from \$1,187 for the three months ended March 31, 2007. As a result of interest earned on a significant cash balance for the three months ended March 31, 2008, resulting in interest revenue of \$534,560 compared to \$10,658 for the same period in 2007, API

generated Income, before income taxes, of \$109,565 compared to a loss, before income taxes, of \$53,178 for the same period in 2007. After providing for an income tax recovery of \$846,742 for the three months ended March 31, 2008, the Net Income was \$956,307 compared to a Net Loss of \$53,178 for the three months ended March 31, 2007.

As a result of raising \$6,902,790 in capital in the first three months of 2008 through the issuance of common shares combined with the net income generated for the first three months in 2008, the Company's cash position increased to \$46,644,026 at March 31, 2008 from \$44,170,557 at December 31, 2007. Overall current assets increased to \$47,456,665 at March 31, 2008 compared to \$45,089,755 at December 31, 2007, and current liabilities decreased to \$249,597, before income taxes, at March 31, 2008 compared to \$1,779,404 at December 31, 2007. Working capital increased to \$47,207,068 from \$43,310,351 at December 31, 2007.

## Projects

Mineral properties balances from the audited consolidated financial statements at December 31, 2007 and the unaudited consolidated financial statements at March 31, 2008:

	<b>Burr Project</b>	<b>Other</b>	<b>Total</b>
	(\$)	(\$)	(\$)
<b>Balance Dec. 31, 2007</b>	<b>8,959,933</b>	<b>453,269</b>	<b>9,413,202</b>
<b>Expenditures during</b>			
<b>1<sup>st</sup> Qtr 2008</b>			
Acquisition	2,288,290	264,600	<b>2,552,890</b>
Drilling	35,964	45,895	<b>81,859</b>
Geophysics	93,486	43,751	<b>137,237</b>
Management Fees	131,571	14,630	<b>146,201</b>
Stock based compensation	1,039,019	-	<b>1,039,019</b>
<b>Balance Mar. 31, 2008</b>	<b>12,548,262</b>	<b>822,145</b>	<b>13,370,407</b>

## *Burr Project*

### *Overview*

Except as specifically noted, the scientific and technical information contained in this MD&A respecting the Burr Project and the Company's other mineral properties, other than the disclosure relating to the acquisition of those properties, is extracted from an independent technical report dated September 19, 2007, entitled "NI 43-101 Technical Report for a Resource Estimation on the Burr Project and Review of other Permitted Areas for Athabasca Potash Inc., Saskatchewan, Canada" (the "Technical Report") commissioned from AMEC. The Technical Report provides a mineral resource estimate for the Burr Project in compliance with NI 43-101. A complete copy of the Technical Report is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company currently holds a 100% interest in the Permit to Prospect for Subsurface Minerals Permit KP308 that was granted on the 19<sup>th</sup> of September, 2006. The permitted area of Crown Mineral Rights covers approximately 75,000 acres (30,300 hectares) of land in portions of Townships 35 and 36, Ranges 21, 22 and 23 over sections 1 to 36.

The Burr Project site is located 107 km (140 km by highway) east of the City of Saskatoon in the Province of Saskatchewan, Canada. The southern boundary of the project area is located 13.5 km north of the Lanigan Mine head frame (owned and operated by Potash Corporation of Saskatchewan) and 26 km from the town site of the same name.

API applied for the Subsurface Minerals Permit KP308 through an application process, and paid fees associated with the application (\$100) upon being granted the permit. To keep the permit in good standing API must undertake certain work on the project area and file assessment reports. API must pay an annual rental fees for the permit area for the first five years at the rate of \$0.50/acre or approximately \$37,503.73. After five years the exploration phase of the project can be extended for one year according to the following fee schedule; \$10,000 for the first extension, \$20,000 for the second and \$40,000 for the third. During the second and third years of permit ownership, API must spend at least \$40,000 for work on the project, in each year. In the fourth and fifth years, this amount increases to \$80,000 in each year. If API performs work on the permit area that does not exceed the minimum amount for that year, they are permitted to make a cash payment to the government to make up the difference. As the Company completes exploration work and satisfies fee and work commitment requirements, it will be entitled to convert the permit to a lease or leases.

Historical work on the Burr Property includes six drill holes. The Potash Company of America drilled two holes in 1956 and 1957, Burr#1 and Burr#4. The Alwinal Potash Canada Ltd. drilled four drill holes, Sinnett in June of 1958 and Caseyville, Loyola and Attica between April and August of 1959. There were no historical resource estimations available from the historical drilling.

*Historical Drilling Summary*

The following table, taken from the Technical Report, summarizes intersections from the historical drilling data:

<b>Drill Hole Name</b>	<b>Depth of bottom of 2<sup>nd</sup> Red Bed</b>	<b>Salt Back</b>	<b>Upper Patience Lake Sub-member</b>	<b>Interbed Salts</b>	<b>Lower Patience Lake Sub-member</b>	<b>Interbed Salts</b>	<b>Belle Plaine Member</b>	<b>Interbed Salts</b>	<b>Esterhazy Member</b>
<b>Sinnett</b>	917.62	7.88	6.63	3.10	4.77	10.30	15.84	-	-
<b>Loyola</b>	922.25	7.95	7.18	2.99	4.39	9.78	16.90	-	-
<b>Casey</b>	916.12	6.34	7.09	2.97	3.87	10.73	17.11	-	-
<b>Attica</b>	938.30	1.91	7.60	2.80	4.06	9.34	10.15	24.87	20.73
<b>Burr#1</b>	934.21	10.59	8.64	5.46	4.29	9.12	15.24	-	-
<b>Burr#4</b>	959.82	8.53	7.62	4.11	3.92	0	0	-	-
<b>Average</b>		7.2	7.46	3.57	4.22	8.21	12.54		

### *Exploration By API*

To date API has completed a two dimensional (2-D) surface seismic survey that covered the eastern half of the permit area. This survey was contracted to Boyd Exploration Consultants Ltd. who used Conquest Seismic Services from Calgary, Alberta. for the data acquisition. It is a useful subsurface tool that can assist with geological interpretation, identify areas of salt loss and solution collapse anomalies, voids and other areas of exclusion. The line spacing is adequate to identify large regional collapse structures but too wide to outline any smaller anomalies that may not intersect a survey line.

The 2-D seismic survey was completed between September and December of 2006. The final report for the study was issued on the 5<sup>th</sup> of January, 2007. A total of 90.29 linear kilometres were surveyed along road sides and cross country on seven north south lines spaced 3.22 km (2 miles) apart.

The results of this survey are of good quality and identify an area of collapse in the western edge of the survey area. In the area of the most favourable potash mineralization there are no regional structures or areas of collapse indicated by the results.

In January 2008, Boyd Exploration Consultants Ltd. completed a 3-D seismic survey over a portion of the Burr project area. The survey covered 60.22 square kilometres and will be used to help identify localized geological hazards, and will also identify the optimal location for a mine shaft. The results of the 3-D seismic are currently being compiled, interpreted and will be applied to the conceptual mining study being undertaken by Wardrop Engineering.

### *AMEC Resource Estimate*

Based on the historical drill data and the recent 2-D seismic results, AMEC provide the Company with the following resource estimate based on the polygonal method using a 1.5 km radius. All of the resource is in the inferred category. The tonnage is net of estimated collapse anomalies and uses a 40% extraction ratio.

### **Polygonal Resource Tabulation of Inferred Mineral Resources of the Burr Project (Lower Patience Lake Member Only)**

<b>DDH</b>	<b>Radius</b>	<b>API Polygon Net Volume</b>	<b>Bulk Density</b>	<b>Net Tonnage (tonnes)</b>	<b>Thickness (m)</b>	<b>K<sub>2</sub>O %</b>	<b>Mg Total %</b>	<b>Acid Insolubles %</b>
Burr#1	1.5 km	10,400,000	2.08	21,600,000	4.29	25.58	-	-
Attica	1.5 km	7,100,000	2.08	14,800,000	4.06	24.79	0.574	2.945
Loyola	1.5 km	2,900,000	2.08	6,000,000	4.39	24.71	0.505	2.301
Casey	1.5 km	4,600,000	2.08	9,600,000	3.87	25.24	0.529	2.498
Sinnett	1.5 km	10,300,000	2.08	21,400,000	4.77	26.74	0.451	2.002
<b>Burr Project</b>				<b>73,400,000</b>		<b>25.64</b>	<b>0.510</b>	<b>2.40</b>

NI 43-101 states: "An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate

is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.”

Due to the uncertainty associated with Inferred Mineral Resources, it cannot be assumed that all or any part of the Inferred Mineral Resource presented above will be upgraded to an Indicated or Measured Mineral Resource as a result of any additional exploration work on the property. Because confidence in the estimate is insufficient to allow meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure, the Inferred Mineral Resources must be excluded from estimates forming the basis of feasibility or other economic studies. The Inferred Mineral Resource is sufficient to encourage further exploration.

#### *Drilling By API*

During the period, API undertook to implement AMEC’s recommendations from the NI 43-101 technical report prepared in 2007 by drilling the four well locations recommended in the report plus an additional drill hole selected in consultation with API’s technical advisors. The core recovered from the program was logged and sampled, with the samples submitted to the Saskatchewan Research Council for analysis. Assay results were received subsequent to year end and confirmed the presence of significant potash in several horizons, including the Upper and Lower Patience Lake Sub-Members. Details respecting the assay results are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) in Form 51-102F3 Material Change Report filed February 28, 2008. API has also sent duplicates of the core samples from the 2007 potash wells to another assay lab (SGS-Lakefield Laboratory) to verify analysis the assay results. The results of these samples are still pending. A summary of the assay results are included below:

**List of Grade Intersections by 2007 Drill Hole for the Upper and Lower Patience Lake Sub-Members and Belle Plaine Member**

	<b>From</b>	<b>To</b>	<b>Thickness of Intersection</b>	<b>K<sub>2</sub>O</b>	<b>MgO</b>	<b>Acid Insolubles</b>	<b>Water Insolubles</b>
	<b>(m)</b>	<b>(m)</b>	<b>(m)</b>	<b>(wt %)</b>	<b>(wt %)</b>	<b>(wt %)</b>	<b>(wt %)</b>
<b>Upper Patience Lake Sub-member</b>							
Burr 9-29	918.00	922.59	4.59	26.85	0.12	NA	NA
Burr 1-17	955.66	963.07	7.41	23.63	0.08	NA	6.04
Burr 16-24	945.22	950.00	4.78	24.98	0.08	NA	7.11
Burr 13-21	933.68	937.95	4.27	20.80	0.08	NA	5.43
Burr 13-23*	957.65	959.25	1.60	13.75	0.08	NA	NA
<b>Lower Patience Lake Sub-member</b>							
Burr 9-29	927.87	931.45	3.58	25.97	0.11	NA	5.63
Burr 1-17	965.83	970.60	4.77	22.64	0.10	NA	6.83
Burr 16-24	955.14	959.10	3.96	22.76	0.07	NA	6.68
Burr 13-21	940.20	943.73	3.53	No Significant Grades to Report			
Burr 13-23*	960.54	963.88	3.34	No Significant Grades to Report			
<b>Belle Plaine Member</b>							
Burr 9-29	942.33	946.19	3.86	No Significant Grades to Report			
Burr 1-17	980.48	984.28	3.80	18.48	0.09	NA	5.25
Burr 16-24	969.48	973.55	4.07	22.70	0.08	NA	3.44
Burr 13-21	961.22	977.02	15.80	No Significant Grades to Report			
Burr 13-23*	976.24	980.08	3.84	No Significant Grades to Report			

Note: The results used a 15% K<sub>2</sub>O cut-off. The following table summarizes geological results from the new API drill holes:

**Depth to Bottom of 2<sup>nd</sup> Red Bed and Thickness of Salt Back, Members and Interbed Salts in 2007 API Drill Holes, All units are in metres**

	<b>Depth to Bottom of 2<sup>nd</sup> Red Bed</b>	<b>Salt Back</b>	<b>Upper Patience Lake Sub-Member</b>	<b>Upper Patience Lake Sub-Member</b>	<b>Upper Patience Lake Sub-Member</b>	<b>Interbed Salts</b>	<b>Lower Patience Lake Sub-Member</b>	<b>Lower Patience Lake Sub-Member</b>	<b>Lower Patience Lake Sub-Member</b>	<b>Interbed Salts</b>	<b>Belle Plaine Member</b>	<b>Belle Plaine Member</b>	<b>Belle Plaine Member</b>
	<b>Depth (m)</b>	<b>(m)</b>	<b>Top (m)</b>	<b>Bottom (m)</b>	<b>(m)</b>	<b>(m)</b>	<b>Top (m)</b>	<b>Bottom (m)</b>	<b>(m)</b>	<b>(m)</b>	<b>Top (m)</b>	<b>Bottom (m)</b>	<b>(m)</b>
Burr 9-29	913.28	4.72	918.00	922.59	4.59	9.87	927.87	931.45	3.58	10.88	942.33	946.19	3.86
Burr 1-17	946.70	8.96	955.66	963.07	7.41	10.17	965.83	970.60	4.77	9.88	980.48	984.28	3.80
Burr 16-24	937.07	8.15	945.22	950.00	4.78	9.92	955.14	959.10	3.96	10.38	969.48	973.55	4.07
Burr 13-21	928.07	5.61	933.68	937.95	4.27	6.52	940.20	943.73	3.53	-	-	-	-
Burr 13-23	949.98	7.67	957.65	959.25	1.60	2.89	960.54	963.88	3.34	12.36	976.24	980.08	3.84

**Note:** For the purposes of this release the Salt Back is considered to include the Upper Patience Lake Sub-member and the Interbed Salts of Upper and Lower Patience Lake Sub-members.

A Scoping Study for the Burr Project has been engaged and this study is expected to be completed by mid-2008. Environmental baseline studies are also in the process of being engaged in preparation for the completion of an Environmental Assessment and Permitting Report as the project advances. In January 2008, the Company engaged AMEC to prepare a mining study. The mining study will provide an updated 43-101 compliant resource estimate and will address selection of potential mine locations.

### *Other Property*

In addition to the Burr Project, the Company has received an additional seventeen permits with another five applications pending. These permits and pending applications cover approximately two million acres (or 800,000 hectares) of prospective potash mineralization and will be systematically explored in the future in order to prioritize targets.

The following table lists the permit areas held by API in addition to KP308:

<b>Disposition Number</b>	<b>NTS Area</b>	<b>Area of Mineral Rights (acres)</b>	<b>Annual Rental Fees Based on \$0.50/acre</b>
KP 295	73-A-3, 73-A-4, 73-A-5, 73-B-8	66,485.20	\$ 33,242
KP 310	72-P-8, 72-P-9	75,102.19	\$ 37,550
KP 311	62-M-6, 62-M-11	98,917.59	\$ 49,458
KP 314	72-O-14, 73-B-3	77,013.62	\$ 38,506
KP 320	73-B-5, 73-B-6	87,218.56	\$ 43,610
KP 321	73-B-4, 73-B-5, 73-C-1, 73-C-8	97,139.00	\$ 48,570
KP 326	62-M-2, 62-M-3, 62-M-6, 62-M-7	99,556.00	\$ 49,778
KP327	62-M-5,12: 72-P-9	93,983.21	\$ 46,992
KP 328	72-I-13, 14: 72-P-3	90,559.66	\$ 45,280
KP332	72-P- 03,04, 05, 06	96,081.73	\$ 48,041
KP 333	62-L-15, 16	76,357.88	\$ 38,179
KP 345	72-O-07, 10	92,679.72	\$ 46,340
KP 346	62-M-10, 11, 14, 15	99,256.41	\$ 49,628
KP 347	62-M-11, 12, 13, 14	94,864.28	\$ 47,432
KP 348	72-O-5, 12, 13	94,245.00	\$ 47,123
KP 349	62-M-6, 11, 12	92,662.40	\$ 46,331
KP359	72-O-15,16	71,490.96	\$ 35,745
<b>Total</b>		<b>1,503,613.41</b>	<b>\$ 751,805</b>

During the second and third years of permit ownership, API must spend at least \$40,000 for work on each permit, in each year. In the fourth and fifth years, this amount increases to \$80,000 for each permit in each year. If API performs work on the permit area that does not exceed the minimum amount for that year, they are permitted to make a cash payment to the government to make up the difference. As the Company completes exploration work and satisfies fee and work commitment requirements, it will be entitled to convert the permit to a lease or leases.

## Summary of Quarterly Results

The following table represents selected financial information for the six most recently completed quarters. Quarterly information prior to September 2006 is not available:

For the quarter ended	Mar. 31, 2008	Dec.31, 2007	Sep.30, 2007	Jun.30, 2007	Mar.31, 2007	Dec.31, 2006
	\$	\$	\$	\$	\$	\$
Revenues	534,560	157,482	108,518	16,722	10,658	13,663
Net gain/(loss)	956,307	(2,113,191)	(457,830)	(72,324)	(53,178)	(55,083)
Gain/(Loss) per share	0.03	(0.155)	(0.02)	(0.01)	(0.02)	(0.02)

Note: All data is in Canadian dollars prepared in accordance with Canadian GAAP applied on a consistent basis.

## Quarterly Comparison

### Revenues

For the quarter ended March 31, 2008 the Company reported interest income of \$534,560. This is compared to interest income of \$10,658 for the three months ended March 31, 2007. The increase in revenues is due to higher cash balances in the first quarter of 2008 compared to the first quarter of 2007 resulting in an increase in interest income.

### Liquidity and Capital Resources

Further exploration on, and development of, the Burr Project and the Company's other exploration projects will require additional capital over a time frame of several years. In addition, a positive production decision on any of the Company's projects would require significant capital for project engineering and construction. Accordingly, the continuing exploration and development of the Company's properties will depend upon the Company's ability to obtain additional financing through debt financing, equity financing, the joint venturing of projects, or other means. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes. There can be no assurance that the Company will be able to complete development of any potash development project at all or on time or on budget due to, among other things, the cyclical nature of the potash industry, changes in the economics of the mining project, delays in receiving required consents, permits and licenses (including mineral subsurface rights), the delivery and installation of plant and equipment and cost overruns, or that the Company's personnel, systems, procedures and controls will be adequate to support operations.

During the first quarter of 2008, the Company's working capital position increased to \$47,207,068 from \$43,310,351 at December 31, 2007. The Company raised capital for gross proceeds of \$6,902,790 during the first three months of 2008. This capital was derived from the exercise of the over-allotment and brokers warrants related to the IPO completed in December

2007. The Company's current working capital position is sufficient to fund all of the planned exploration and development activities for at least the next twelve months. Total assets increased to \$61,322,898 at March 31, 2008 compared to \$55,285,777 at December 31, 2007. Mineral properties increased to \$13,370,407 at March 31, 2008, compared to \$9,413,202 at December 31, 2007.

### **Related Party Transactions**

During the quarter ended March 31, 2008, rental fees of \$13,500 (2007-\$4,500) were paid to a company controlled by a director and officer.

These 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.

### **Critical Accounting Estimates**

The Company's consolidated financial statements are prepared in conformity with Canadian Generally Accepted Accounting Principles ("GAAP"). The Company's accounting policies are described in note two in the annual audited financial statements. Generally accepted accounting principles require that management 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 amount of revenues and expenses during the year. Areas of significance requiring the use of management estimates related to the determination of the recoverability of capitalized mineral exploration costs, stock based compensation and the determination of future income tax assets and liabilities. Actual amounts could differ from those estimates.

- **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, guaranteed investment certificates, and a banker's acceptance with maturities of less than one year.

- **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 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.

- **Capital assets**

Capital assets are recorded at cost. Amortization is provided on a declining balance over the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method. Annual amortization rates are as follows:

Automobiles	30%
Furniture and equipment	20%
Leasehold improvements	1/5

- **Income taxes**

The company uses the asset and liability method of recording 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 value 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 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 amount 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**

In January 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. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This section requires that:

- a) All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- b) All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method;
- c) All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. This section applies to unrealized gains and losses such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designed as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3865 provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

## **Disclosure Controls and Procedures**

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended December 31, 2007, and based on this evaluation (which included testing of the key controls by examining evidence demonstrating their existence on a test basis) have determined these controls to be effective

The Corporation's financial reporting procedures and practices have enabled the certification of the Company's annual filings in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual filings in accordance with Canadian Generally Accepted Accounting Principles.

Management is aware that given the few number of employees involved in the design of internal controls over financial reporting that in-house expertise to deal with complex taxation, accounting and reporting issues may not always be sufficient. The Company obtains outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues from external accountants, legal counsel, and applicable regulatory authorities, which is common with companies of a similar size.

Management is also aware that internal control weaknesses have been identified in respect to segregation of duties and that a risk of management override of controls and procedures exists, which is inherently due to the size of the Company. Management is taking the necessary steps to eliminate these weaknesses in 2008, and in the first quarter of 2008 additional personnel were added to senior management.

There have been no significant changes to the Company's internal controls over financial reporting except for as described above during the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## ***Risks and Uncertainties***

The following is a summary of the risks relating to API's business:

- potash exploration and development are highly speculative, are characterized by significant inherent risk and may not be successful;
- the extraction of potash from identified deposits may not be economically viable;
- the development of any of API's exploration projects into commercially viable mining operations on time, on budget or at all, cannot be assured;
- API lacks Indicated Mineral Resources and Proven and Probable Mineral Reserves;
- API lacks revenues and cashflow from mineral production;
- the cyclical nature of the potash industry can result in supply/demand imbalances and pressure on potash prices and profit margins;

- potential potash supply increases, either from the opening of new potash mines or the expansion of existing potash mines, could depress prices and have a material adverse effect on the Company;
- brownfield expansion of production from existing potash mines owned by competitors of API may be more cost effective than greenfield development of a new potash mine on one of API's properties;
- the Company currently does not have the transportation arrangements with the railways or port services necessary to get the product to market;
- historic drill hole data for the Burr Project lacks documentation regarding sample preparation, analysis and security;
- historic drill hole data for the Burr Project lacks documentation of quality assurance and quality control measures applied;
- further exploration on, and development of, the Company's properties will depend on the Company's ability to obtain additional financing;
- the Company has a very limited operating history;
- API's title to its properties may be subject to potential challenges or impairments;
- to date the Company has not obtained all subsurface mineral rights and subsurface rights necessary to develop its current exploration projects;
- access to potash mineralization not owned by the Crown must be negotiated with owners of Freehold Mineral Rights and private landowners and cannot be assured;
- the volatility of potash prices;
- currency exchange rate fluctuations;
- API's insurance coverage does not cover all of its potential losses, liabilities and damage related to its business and certain risks are uninsured or uninsurable;
- API relies on its senior management, technical team and outside contractors and the loss of one or more of these persons may adversely affect API;
- there are potential conflicts of interest involving certain of API's directors, officers or shareholders;
- the Burr Project's Inferred Mineral Resources are estimates only and may be imprecise;
- the Company cannot be certain that it will receive the necessary permits in order to conduct further exploration on, or to develop its properties;
- government regulations may have an adverse effect on API's exploration activities, development projects and future mining operations;
- changes in aboriginal land use plans and policies may adversely affect the Company's business and results of operations;

- API's properties are subject to environmental risks;
- API is generally subject to competition for mineral properties, technical expertise, labour and capital;
- API may not be successful in attracting, training and retaining qualified personnel which could adversely impact the efficiency of the Company's operations;
- potential changes to, or interpretations of, tax laws, may negatively impact the Company's business and results of operations;

The ability of the Company to realize its goal of becoming a North American potash producer is dependent on its ability to raise capital to finance the evaluation and development of its properties. The Company must demonstrate that a project will generate the internal rate of return demanded for a positive production decision and then raise the capital required to construct and run the mine until commercial production is achieved.

### Outstanding Share Data

As at April 30, 2008, the Company had a total of 36,573,031 issued and outstanding common shares. As at April 30, 2008 there were 3,288,456 unexercised stock options outstanding, exercisable for 3,288,256 common shares of the Company and 330,786 share purchase warrants outstanding exercisable for 330,786 common shares of the Company.

### Additional Data

Additional information relating to the Company, including the Company's Annual Information Form, can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Details of deferred exploration and development expenditures, by property, and details of general and administrative expenses can be found in the Notes to the Consolidated Financial Statements for the periods ended March 31, 2008 and December 31, 2007 and 2006.

### Outstanding Share Data

#### 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	Share Capital
<b>Balance, December 31, 2007</b>	<b>34,400,053</b>	<b>\$ 51,762,028</b>
Exercise of broker warrants	651,978	592,428
Exercise of over-allotment	1,521,000	6,464,250
Flow-through renunciation	-	(1,401,534)
Issue costs	-	(484,445)
<b>Balance, March 31, 2008</b>	<b><u>36,573,031</u></b>	<b><u>\$ 56,932,727</u></b>

## **Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. It should be read in conjunction and in context with all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation for analysis on any particular issue. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.

## **Caution Regarding Forward-Looking Statements**

This MD&A contains “forward-looking information” which reflects expectations of the Company’s management (“Management”) regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. In particular, among other statements, statements with respect to the Company's objectives for the ensuing year, the Company's medium and long term goals, and strategies to achieve those objectives and goals, future operations, future exploration and development as well as statements with respect to the Company's beliefs, plans, objectives, expectations, anticipations, estimates and intentions contain forward looking information. Often, but not necessarily always, words such as “believe”, “plan”, “expect”, “does not expect”, “is expected”, “estimates”, “intend”, “budget”, “scheduled”, and similar expressions or statements that contain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, have been used to identify forward-looking information. This information reflects Management’s current beliefs and is based on information currently available to Management. Forward-looking information involves significant risks, uncertainties and assumptions. A number of factors could cause actual results to differ materially from the results discussed in forward-looking information, including exploration and development risks, the economic viability of the extraction of potash from identified deposits, the cyclical nature of the potash industry, potash supply increases, the cost-effectiveness of brownfield expansion of potash production, lack of historic drill hole documentation, additional funding requirements, challenges or impairments to title, access to certain potash mineralization must be negotiated, volatility in potash prices, currency exchange rate fluctuations, insurance limitations, the loss of key employees, imprecision in the Burr Project’s Inferred Mineral Resource estimate, permit requirements, governmental regulations, aboriginal land use, environmental risks, competition, attracting and retaining personnel, and changes to tax laws.

Certain statements herein may contain forward-looking information within the meaning of applicable securities laws. Although Management has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking information is based upon Management’s beliefs, estimates and opinions as of the date of this MD&A and, except as required by applicable securities laws, the Company assumes no obligation to update or revise forward-looking information if these beliefs, estimates or opinions should change to reflect new events or circumstances. There can be no assurance that forward-looking information in this MD&A will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking information due to the inherent uncertainty thereof.