Western Potash Corp. (WPX-V, $1.35)

Recommendation: Buy

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WELLINGTON WEST Capital Markets Inc.

July 17, 2008

All values in C$ unless otherwise noted.

Current Price	$1.35
Target Price (12-Month)	$1.75
Target Return (incl. yield)	30%

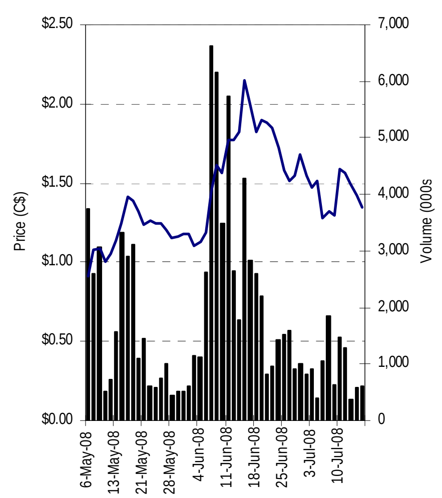
Changes

	Old	New
Recommendation	N/A	Buy
Target	N/A	$1.75

Company Profile

Western Potash Corp. is a mineral exploration company with potash mineral properties in MB on the border with SK. The Company's key properties consist of an up to 95% interest in two exploration permits covering 54,500 hectares. The Company has announced a $19M exploration program and has ~$43M in cash. In addition the Company was recently granted 50,000 hectares of SK potash exploration permits, and has applied for four additional MB permits covering 275,000+ hectares.

Price Chart



Source: PcQuote

Well-financed Junior Explore Co. Seeking to Develop First Commercial MB Potash Mine

- **Prospective potash lands next to established mining companies.** Early-mover advantage in MB allowed WPX to lock up highly prospective properties next to established potash mining companies.
- **Manitoba: mining-friendly & keen for potash industry development.** Fraser Institute selected MB in '07 as #1 global mining jurisdiction; provincial government supports prospects of province's first potash mine.
- **Well-funded, aggressive exploration program underway.** WPX has launched a $19M drilling and seismic exploration program to confirm historic drill results; funded through 2009 with ~$43M in cash.
- **Initiate w/ Buy rating, $1.75 target; see $9-$11/sh potential by 2016.** We assume long-term US$450/MT KCl (FOB VCR) in our DCF, driving ~US$590M EBITDA by 2016 and ~US$550M NAV.

Company Summary

Shares Out (millions) (f.d.)	94.5	52-Week Range	$0.91 - $2.15
Market Cap (millions)	$127.5	Avg Daily Volume	1,838,150
Cash per FD Share (est)	$0.45	Est. NAV (mill)	$554
Fiscal Year End	Sep-30	P/NAV	0.23x

Key Properties:	Status:
QP-167 & QP-168	54,000 ha in MB. Two historic drill holes and seismic data indicated 12 ft @ 20% K2O and 15ft @ 18% K2O (gamma logs). The Company intends to test these targets with drilling and seismic programs commencing in July 2008.
KP407, KP408, KP409	Company was granted exploration licenses in SK (June 2008)
QP-170, QP-171, QP-172, Pipestone permits	275,000 ha in MB - pending permit approval

Directors & Officers		Management Holdings (est)	% FD
Patricio Varas	President & CEO	Management & Insiders	15%
Troy Mikolai	CFO & Director		
Dean Pekeski	VP Exploration		
Ron Brown	Potash Technical Advisor		

Source: Company reports, WWCM

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Investment Summary and Outlook

We estimate Western Potash's NAV near US$550 million based on the Company's prospects for potash mine development; we also estimate that the potential mine could generate ~US$590 million of EBITDA at full capacity, implying ~US$4.1 billion of enterprise value and a $9.00 to $11.00 share price by 2016. We maintain a favourable view on the macro fundamentals for potash given the mineral's strategic value (i.e. potash is fertilizer, representing food, representing political stability), but believe the Prairie Evaporite in Saskatchewan risks becoming saturated with proposed new KCl mines. Western Potash, on the other hand, proposes to prove-out a resource for future development of a potash mine in Manitoba within the eastern reaches of the Evaporite, where no such mines currently exist. While there is inherently greater resource risk for deposits near the edges of the Evaporite, we believe there is also significant opportunity to develop a mine in Manitoba, one of the most favourable mining jurisdictions in the world where the provincial government is keen to see a local potash industry developed. We submit that a near-term drill program coupled with the prospects of a strategic partner over the next 12-18 months could be cause to re-rate this stock. In the meantime, we use a long-term DCF to estimate WPX's NAV at $554 million. We also use forward EV/EBITDA multiples of 7X to estimate Western Potash's enterprise value near $4.1 billion by 2016, representing an approximate $9.00 to $11.00 trading range for WPX shares within approximately six years. For now we initiate with a Buy rating and $1.75 one-year DCF-based target, implying 0.30x P/NAV.

Investment Positives

Potash Supply is Tight, and Apt to Remain that Way for Many Years

Despite several announced potash capacity additions in recent months, we continue to see relatively tight supply/demand fundamentals for years to come. Total utilization of the world's potash production facilities has entered a stage of higher levels, and is expected to approach 85% of nameplate capacity in 2008 and remain above 80% through at least 2011. This tightening in the potash market has developed owing to limited new supply additions coupled with steady growth in demand. At an assumed rate of 3.5% per year demand growth, the required offsetting supply is estimated near 2.0 million tonnes of KCl per year.

Optioned Permits are Strategically Located

The permits held under option by Western Potash are adjacent to established mining and exploration companies. By moving early in Manitoba, WPX has been able to secure key permits on the western border of Manitoba, next to Saskatchewan. These permits are adjacent to potash lands held by BHP Billiton (BHP-N) (through a JV with Manitoba Mining, a government entity) and Agrium Inc.(AGU-T), and are located 13 km from Potash Corp's (POT-T) ("PCS") producing Rocanville potash mine. Past drilling and seismic results indicate the potential for continuation of the Prairie Evaporite on the Company's properties.

Mining Friendly MB has Good Infrastructure and is Keen on Potash

We believe Manitoba, selected by Fraser Institute as the best mining policy environment worldwide with good local infrastructure, is interested in seeing a potash industry developed within its borders. Mining is Manitoba's second largest resource industry after agriculture. The province is centrally located in North America with deep water ports and the Company stands to benefit from good local infrastructure on or near the properties, including provincial roads, electricity, water, labour supply from nearby towns, and rail lines for product transport to market. Additionally, we believe local government is keen to support the development of a potash industry in Manitoba after witnessing the recent economic success next door in Saskatchewan, and is doing so through low mining tax rates and other government incentive programs.

Strong Cash Position Should Fund the Company Through at Least 2009

Western Potash has ~$43 million in working capital available and an additional ~$31 million available if all warrants are exercised. To-date the Company has raised a cumulative gross total of ~$41 million through private equity placements plus approximately $5 million in warrants exercised. We expect this will fund the Phase I and Phase II drilling and seismic programs through the end of 2009 (estimated cost of ~$19 million). In addition, the Company has over $31 million in remaining in-the-money warrants from prior financings that, if exercised, could be used to further fund exploration, environmental and scoping/feasibility studies.

Potential for Share Price Re-Rating

The Company has launched an aggressive drilling and seismic program to confirm historical resource indications – should these programs prove successful, we believe a re-rating of WPX shares is possible. Following the successful completion of Phase I and II programs, the Company could be in a position to commission a meaningful independent NI 43-101 compliant resource report on the properties, which would presumably put the WPX project on par with other Canadian junior fertilizer developers that have already produced NI 43-101 resource reports. Such program success should allow the commencement of scoping, environmental and feasibility studies. We contend that as the resource and economics are delineated, program success could establish project viability and lower the project risk, which could translate into a higher NAV. We suggest the likelihood of the Company striking a favourable relationship with a strategic partner will also increase as this program risk diminishes.

Investment Risks

Resource and Technical Risk at the Company's Manitoba Properties

There is risk that the potash resource, if and when identified, could prove to be uneconomic. While potash deposits tend to be large and contiguous in nature (requiring fewer widely spaced drill holes to prove-up when supported by seismic data) there is risk that a resource could fail to be economic. Historic drill holes and seismic surveys on the Company's and neighbouring properties indicate the potential for economic potash resources, however the extent and nature of the potash potential on the Company's properties must be verified and proven with further drilling and exploration work. We believe the Company will also be testing the outer limits of the Prairie Evaporite, as current geological interpretation suggests this outer boundary transects the Company's properties. Typical of deposits of this nature, the deep (850+ m) target zones of potash exploration will require significant expenditures ($600-$1,000/m estimated drilling costs) and will be a factor in computing the required threshold for an economic deposit.

More KCl Developments Apt to Emerge, Chasing Robust Potash Prices

With fertilizer prices at all-time highs, there are likely to be more companies looking to develop their potash holdings or become potash explorers/developers. If robust potash prices persist, the economics of potash production are much more compelling, increasing the risk that other companies will look to expand their holdings or enter the sector. That said, we believe the large majority of highly potash-prospective Prairie Evaporite lands in Manitoba and Saskatchewan are now permitted (or permit-pending), relieving some risk that a large number of additional new developers will be announcing further greenfield projects in this area. In the longer term we recognize that additional supply response could materialize, likely placing downward pressure on potash prices if demand is not sufficient to keep the market in tight or balanced supply.

Western Potash's Proposed Mine to have Extensive Capital Needs

We expect that if a resource is identified, capex through to production could be $2.5+ billion – we suggest a deep-pocketed partner could help alleviate this funding risk. Capital costs are estimated near US$2.5 billion to US$2.8 billion for a two million tonne/yr greenfield room-and-pillar potash mine and mill in neighbouring Saskatchewan. This estimate is up ~75% in two years on inflationary pressures. We estimate similar development costs in Manitoba for a greenfield potash mine. While it is difficult to predict how such capital costs will ultimately trend, we submit that rising steel costs plus an active Western potash industry will likely drive inflationary pressures for the equipment and skilled labour needed to develop a new mine. We further believe it is unlikely that all early-stage projects will be funded to production and suggest potentially positive valuation implications for those companies able to secure the necessary capital and/or a deep-pocketed partner.

Project Development Expected to take Many Years, be Subject to Delays

Potash mines can take up to seven years to reach initial production, and industry fundamentals can change significantly over such a timeframe. First potash production of a greenfield site is believed possible within six or seven years of initial exploration, with at least another two years required to reach full production capacity. This timeline assumes no difficulty with environmental law, permits, geology or connecting to existing infrastructure, or constraints in sourcing labor and equipment. We view these assumptions as somewhat optimistic, suggesting that a mine project could easily exceed the timeline suggested.

Labour and Other Resources Likely Constrained

We suggest many companies will be competing for finite mining resources in the years ahead, likely delaying project development and driving cost inflation. In the race to develop Western Canada's next major potash mine, we expect many companies to compete for the necessary resources such as skilled labour, equipment, machinery, contractors and other required inputs. Of note, these are the same resources that the incumbent Canadian potash producers are also apt to compete for as they look to expand. This potential resource constraint not only poses a risk to the Company's project development timeline, but also risks creating inflationary pressures for the required inputs that would increase project development costs.

Valuation

Initiating with $1.75 One-year Target

We use a discounted cash flow ("DCF") model, which is supported by a forecast EBITDA multiple analysis, to arrive at a $1.75 target price. We believe that with success in the Phase I and II drill programs the Company should be able to have an independent NI 43-101 compliant resource report prepared to support at least a 40 year mine-life, and as such we model a long-term DCF to evaluate the equity value of WPX. With this DCF we estimate one-year forward fair value for the equity at $1.75 per share. Assuming the mine goes to production by 2015, we project a future enterprise value of ~$4.1 billion based on 7x estimated 2017 EBITDA of ~US$590 million. Netting assumed debt thus implies WPX shares could approach a $9.00 to $11.00 trading range by 2016.

The Long-term DCF

Our DCF drives a one-year forward fair value estimate near $1.75 per share, implying 0.30x P/NAV. We assume long-term KCl prices of US$450/tonne FOB VCR, capital expenditure of USD$1,250 per tonne of KCl for a two million tonne per year KCl mine, and annual production growth of 1.0%. We assume a 12.0% discount rate over the length of the DCF as a matter of simplicity, though arguably a changing capital structure (as considerable debt is added and subsequently paid-down) and a changing risk profile (as the project progresses) each stand to alter the cost of capital over time. Finally, we assume necessary equity and debt financings along the way (50/50 D/E split), starting in 2011 post a pre-feasibility study. Based on these and other assumptions (see Project Economics section) we estimate one-year forward fair value near $1.66/sh, which we use to derive a $1.75 one-year price target (Exhibit 1.)

The DCF also points to an approximate trading range of $9.00 to $11.00 if and when potash production begins. Our DCF projects a fundamental fair value estimate of $9.49 to $10.15 per share around the time potash production is anticipated to come on-stream (i.e. by 2015/2016) (Exhibit 1.)

Exhibit 1: Discounted Cash Flow Analysis Drives $1.75 One-year Target; Potentially $10.00+ by 2015

	2008	2009	2010	2011	2012	2013	2014	Initial Production 2015	2016
(US$millions)	1-yr target	2-yr target	3-yr target	4-yr target	5-yr target	6-yr target	7-yr target	8-yr target	9-yr target
Project discounted FCFF - 95%	511	560	646	840	1,638	2,533	3,651	4,026	4,230
Project B/S as of	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
Less: Project debt	0	0	0	58	404	733	1,103	1,103	1,103
Project equity value	511	560	646	782	1,234	1,800	2,548	2,923	3,127
WPX's final share count	308.1	308.1	308.1	308.1	308.1	308.1	308.1	308.1	308.1
Target (USD)	$1.66	$1.82	$2.10	$2.54	$4.01	$5.84	$8.27	$9.49	$10.15
Target (CAD)	$1.66	$1.82	$2.10	$2.54	$4.01	$5.84	$8.27	$9.49	$10.15
Total equity required	$12	$20	$20	$58	$346	$329	$370	$0	$0
Assumed WPX equity issue price (CAD)	N/A	N/A	N/A	$2.45	$3.95	$5.75	$8.20	N/A	N/A
Additional WPX shares to be issued	0.0	0.0	0.0	23.7	87.6	57.2	45.2	0.0	0.0
WPX's running share count (f.d. mm)*	94.5	94.5	94.5	118.2	205.8	262.9	308.1	308.1	308.1

* Starting share count does not assume Treasury Method; we assume cash from options exercised is used to finance growth

Source: WWCM

Potential for Share Price Re-Rating

We see favourable drill results as potential near-term catalysts for a stock re-rating. Given the early-stage of the Company's potash exploration properties, there are numerous technical and resource risks that make it challenging to accurately determine project economics. As the Company continues to develop the properties through drilling and seismic exploration on route to a pre-feasibility study, we believe some of these risks could be mitigated, translating into a lower discount rate in our DCF, potentially justifying a higher share price target for WPX. Exhibit 2 presents the NAV sensitivity for changes in the discount rate from our current 12.0% assumption. Note that we assume 10.0% discount rates for the two other junior potash stocks we cover (API-T and KCL-T) given that they each already have NI 43-101 compliant resources and hold permits located in the heart of the Prairie Evaporite in Saskatchewan where we perceive less resource risk. We estimate that WPX's NAV would approximately double using a 10% discount rate.

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Exhibit 2: We See Significant NAV Upside Should Favourable Drill Results Firm up, Mitigating Resource Risk

NAV Sensitivity (US millions)

		Discount Rate				
		10.0%	11.0%	12.0%	13.0%	14.0%
	$400	$704	$455	$258	$101	($25)
KCl/tonne	$425	$900	$625	$406	$230	$89
(FOB VCR)	$450	$1,096	$795	$554	$360	$203
	$475	$1,292	$965	$702	$490	$318
	$500	$1,489	$1,134	$850	$619	$432

Source: WWCM

Recent M&A Activity Sheds Light on Potential Share Price Upside…

…Shows Upside of Adding a Strategic Partner

BHP Billiton Diamond's purchase of the remaining 25% JV interest from junior potash player Anglo Potash implied a P/NAV of 0.43x – this multiple suggests material upside potential for WPX if the shares are re-rated in the coming quarters. Exhibit 3 highlights the P/NAV on estimated NAV for the three junior potash stocks we cover. Note that the Anglo Potash deal price announced in mid-May 2008 (and closed in July) was $8.15 per share, implying a 0.43x P/NAV multiple. We suggest this relatively high multiple reflects the more significant progress and likelihood of success of the Anglo Potash project. Therefore, as Western Potash mitigates the project risk and/or brings in a credible strategic partner, we argue there is potential to add material shareholder value upon a re-rating of WPX shares. We estimate that a 0.43x P/NAV on our estimated $554 million NAV (@ 12%) implies ~$2.50 share price for WPX.

Exhibit 3: Western Potash's Market Capitalization is Below the Average of Junior Potash Companies, Reflecting the Earlier Stage Nature of the Manitoba Project

Company	Ticker	Last Px	F.D Shares (mm)	Market Cap ($mm)	EV ($mm)	Potash Main Project	Location	Owner-ship	Type of Operation	Prod Rating tpy	Proposed Startup	Total Rsrv / Res MMT	Avg Grade	NAV ($mm)	P/NAV	FYE
MagIndustries	MAA.V	$2.80	280.9	786	816	Makola (Mengo)	Congo	100%	Solution	600,000	2011	21.0		n.c.	n.c.	Dec
Athabasca Potash	API.T	$7.44	40.2	299	253	Burr	SK	100%	Underground	2,000,000	2014	73.4	25.6%	$1,310	0.23x	Dec
Anglo Potash [1]	AGP.V	$8.15	34.8	284	277	Anglo / BHP JV	SK	25%	Underground	950,000	2014	365.0	25.4%	$665	0.43x	Dec
Potash North [3]	PON.V	$1.63	109.4	178	149	Esterhazy K1/K2	SK	100%	Unknown	Unknown	Unknown	n.a.		n.a.	n.a.	Dec
Potash One [2]	KCL.T	$4.09	50.4	206	111	Legacy	SK	100%	Solution	2,000,000	2013	432.3	20.0%	$1,274	0.16x	Apr
Western Potash [4]	WPX.V	$1.35	94.5	128	85	Manitoba	MB	95%	Unknown	2,000,000	2015	n.a.	n.a.	$554	0.23x	Sep
Mantra Mining	MAN.V	$1.70	47.1	80	80	Elkhorn	MB	100%	Unknown	Unknown	Unknown	n.a.		n.a.	n.a.	Sep
Raytec [2,3]	RAY.V	$0.94	78.3	74	52	KP441	SK	100%	Unknown	Unknown	Unknown	377.2	21.9%	n.a.	n.a.	Oct
Ringbolt Ventures [3]	RBV.V	$1.03	43.4	45	20	Utah	Utah	100%	Unknown	Unknown	Unknown	n.a.		n.a.	n.a.	May
Average				244	220			100%							0.27x	

1 Resources represent Anglo's 25% share in the JV with BHP Billiton; Acquisition by BHP closed July 10, 2008 - shares are no longer listed

2 f.d. share count does not use Treasurey Stock Method; assumes cash from options exercised is used to finance growth

3 Includes latest announced financings

4 Numbers relating to production and mining are speculative estimates only and are subject to many assumptions contained in the accompanying report; numbers based on option for 95% project interest

Companies in Grey Indicate other coverage by WWCM

n.c. = not comparable; n.a. = not available; averages exclude WPX and outliers

Source: WWCM, PCQuote, Bloomberg

EV/EBITDA Horizon Value Looks Compelling

If we assume a 7x forward EV/EBITDA multiple for WPX once the mine is operational, we can justify a $9.00 to $11.00 trading range by 2016. While EV/EBITDA sector multiples fluctuate over time, we believe that if and when a potash plant gets up and running, shares of WPX could reasonably trade at 6x to 8x forward EV/EBITDA, which is at the low end of historic fertilizer stock multiples. So, if we assume a 7x multiple and EBITDA of ~$590 million in 2017, which is when we assume full scale production, the implied EV is $4.1 billion. Netting assumed debt of $1.2 billion thus implies an equity value of $2.9 billion, or $9.51 per share (proforma.) Refer to Exhibits 4 and 5 for a summary and sensitivity table of our proposed 2016 target based on various EV/EBITDA multiples and EBITDA.

Exhibit 4: 7x Forward EV/EBITDA Suggests $9.00 to $11.00 Share Price by 2016

2016F Target		
2017F EBITDA (mm) - 95%		$588
Assumed multiple		7.0x
Implied EV (mm)		$4,117
Less assumed debt (mm) - 95%		$1,188
Implied equity (mm)		$2,929
Assumed S/O (mm)		308.1
Implied 2016 share price in USD		$9.51
Implied 2016 share price in CAD	1.00 USD/CAD	$9.51

Source: WWCM

Exhibit 5: EBITDA and EV Multiple Sensitivity – Points to Potential $15.00+ Upside @ 10X

		KCL Share Price Target in 2016				
Assumed KCl Price (/MT) (FOB VCR)		$400	$425	$450	$475	$500
Implied F2017 EBITDA (millions)		$502	$545	$588	$631	$674
	6.0x	$5.92	$6.76	$7.60	$8.44	$9.28
EV/EBITDA	7.0x	$7.55	$8.53	$9.51	$10.49	$11.47
Multiple	8.0x	$9.17	$10.30	$11.42	$12.54	$13.66
	9.0x	$10.80	$12.06	$13.33	$14.59	$15.85
	10.0x	$12.43	$13.83	$15.23	$16.64	$18.04

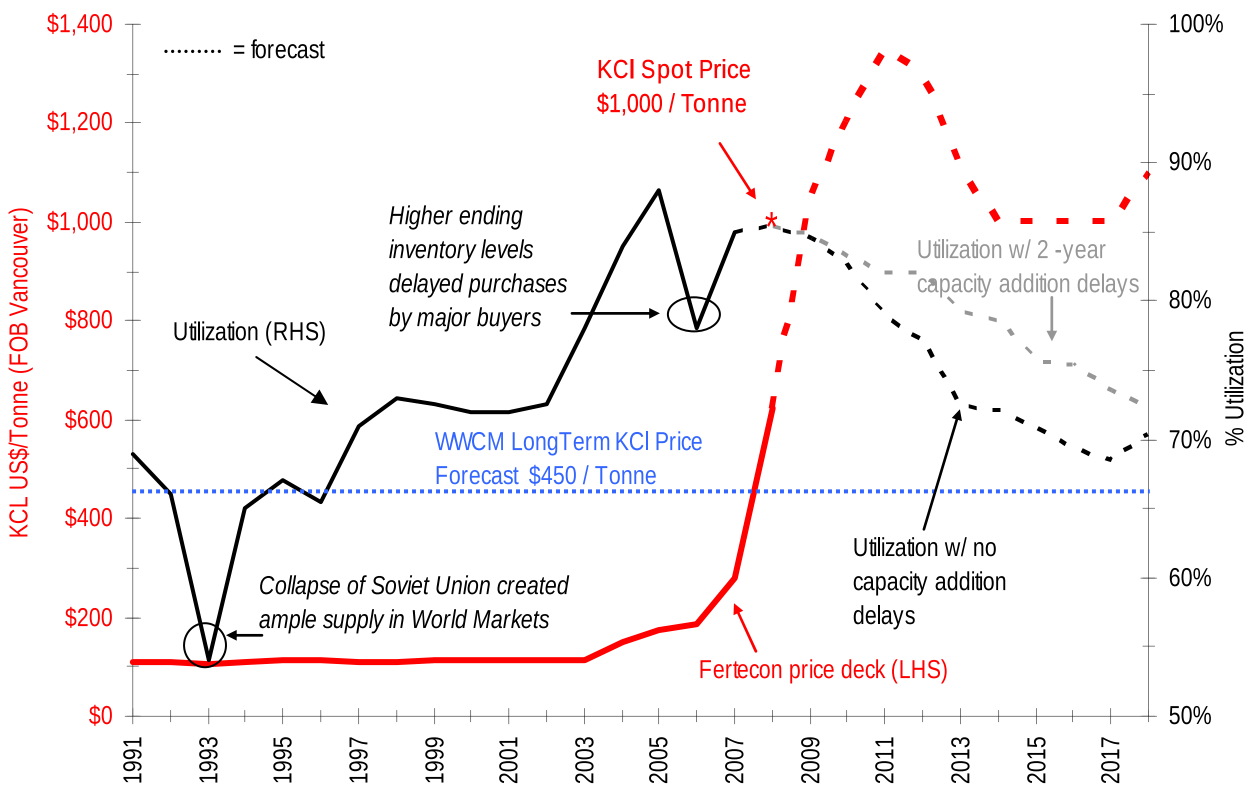
Source: WWCM

Industry Overview – A Potash Update

Largely as expected, there have been several announced capacity additions and new entrants proposed in the months since we first reviewed the potash sector however we continue to envision relatively tight supply/demand fundamentals for years to come. Given our analysis of the current capacity additions announced by both new and existing players, we expect global potash capacity utilization will remain at relatively robust levels through at least 2011, supporting near-term strength in KCl prices. We provide two supply scenarios in Exhibit 6, one that assumes all announced supply additions (brownfields and greenfields) will come on-stream as planned, and the other assuming all greenfield projects will be delayed two years. Note that with our assumed 3.5% potash demand growth (v. the ~3.8% CAGR demonstrated world-wide over the last five years) we envision global capacity utilization declining to between 73% and 80% by 2013, though this boldly presumes that all the proposed supply will actually be financed. We add that industry-wide production cost-push from inflationary pressures in energy/materials is apt to provide downside support to KCl prices, and thus for modeling purposes we assume long-term average pricing of US$450/tonne FOB Vancouver. As a comparison, Fertecon, a global fertilizer consultancy, expects KCl prices to average over US$1,000/tonne FOB Vancouver through 2018. We note also that recent spot transactions are believed to have taken place at US$1,000/tonne (CFR Brazil.)

For additional Potash Industry Information see WWCM Report "Potash Explorers & Developers in Western Canada", February 8, 2008 and WWCM Report "Potash One" June 19, 2008.

Exhibit 6: Fertecon Expects KCl Prices (FOB VCR) to Remain Robust into at Least 2018



Source: Fertecon, WWCM

Upward Cost Pressures on Materials Continue

The estimated cost of developing a new potash mine has increased over 75% in two years. According to recent estimates published by Potash Corp. (POT-T), the costs of developing a greenfield potash mine in Saskatchewan are up to $2.8 billion. This estimate has climbed 75% in the last two years, owing to inflationary pressures on raw materials, labor, service contractors and other required inputs. We assume, perhaps conservatively, a capital cost of $2.5 billion in our model.

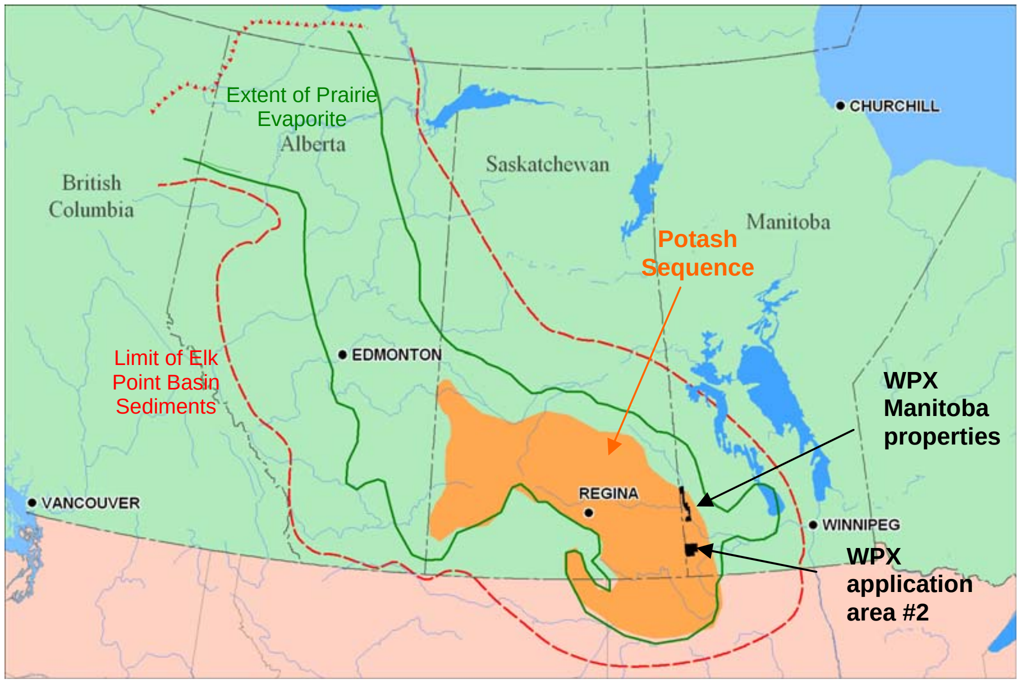
Company Overview

Western Potash Corp. (WPX-V) is a mineral exploration company engaged in the acquisition, evaluation and exploration of potash mineral properties in Manitoba. The Company's objectives are to define and develop a world-class deposit while providing shareholders an opportunity to participate in the potash mining industry. Once a resource has been defined, the Company has indicated a desire to partner with a major multi-national capable of taking the resource into production—we view this as a prudent strategy. From incorporation in April 2007 the Company has raised a cumulative total of ~$45 million in equity financings, including $17.5 million in private financings, $23 million through an IPO in May 2008 and approximately $5 million through warrants exercised. Management estimates that the Company has spent approximately $4 million to-date on exploration projects and general working capital.

The Company's principal assets include options on two exploration properties in southwestern Manitoba near the Saskatchewan border. The Company's Manitoba Potash Properties consist of two exploration permits (Potash Exploration Permit Nos. QP-167 and QP-168), covering approximately 54,000 hectares. The Company can earn up to a 95% (70%+25%) interest in the two permits from W.S. Ferreira Ltd. ("WSF"), subject to a 2% net product royalty ("NPR"). Pursuant to the option agreement, the Company acquired the right to earn a 70% interest in the Manitoba Potash Properties, subject to a 2% NPR, in consideration for aggregate cash payments of $591,616 and 2.25 million common shares payable over the five-year life of the potash exploration permits. The Company has the right to earn a further 25% interest in either of the potash exploration permits by taking them to the mining lease stage and paying WSF $1 million or by issuing 1 million common shares to WSF. In addition, at the Company's option, the NPR may be reduced to 1% by paying WSF an additional $1 million. The Company must also incur expenditures totaling $2.5 million ($420,000 per year) on the Manitoba Potash Properties through 2013 and thereafter if and as the agreement is extended.

We contend the company's optioned permits are situated in the right geological environment on the Manitoba portion of the Prairie Evaporite, though they are also understood to be near the Evaporite boundary. Western Potash's Manitoba properties are located on the eastern edge of the Devonian Prairie Evaporite (Exhibit 7), which covers the southern portion of Saskatchewan and extends into the McAuley-Russell area of Western Manitoba. Potash deposits in the Prairie Evaporite are unique because they typically have consistent thickness and grade across a wide lateral zone. Due to this historical predictability, we contend that it is possible to define a potash deposit with relatively few drill holes supplemented by seismic coverage to establish continuity between drill holes, though we suggest there is inherently more risk of improperly defining the extent of a deposit near the Evaporite boundary.

Exhibit 7: Optioned Permits are on the Eastern Edge of the Prairie Evaporite Potash Sequence, Where We Presume Higher Resource Risk

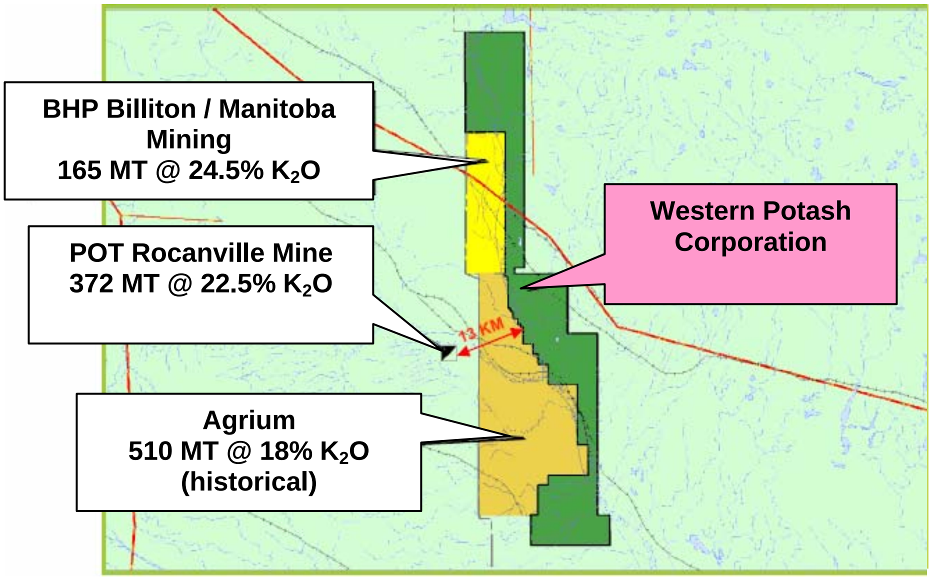


Source: Western Potash Corp.

Permits Strategically Located

Western Potash's optioned permits are strategically located next to established mining and exploration companies. Western Potash's Manitoba Potash Properties are adjacent to properties held by BHP Billiton Limited / Manitoba Mining Corp. (with a 1987 external feasibility study non NI 43-101 compliant outlined mineable ore reserve of 165 million tonnes @ 24.5% K_2O) and Agrium Inc. (with a government geologist non NI 43-101 compliant outlined stratigraphic reserve of 510 million tonnes @ 18% K_2O). In 2007, BHP announced a $15 million exploration program for the joint venture potash properties. Thirteen kilometres from the edge of the property to the west in Saskatchewan is the producing Rocanville Mine owned and operated by PCS, where a $1.8 billion expansion was recently announced. This expansion is expected to increase the existing mine capacity from 2.6 million tonnes to approximately 5 million tonnes annually. (See location map in Exhibit 8.)

Exhibit 8: Western Potash's Key Properties Border Established Mining and Exploration Companies

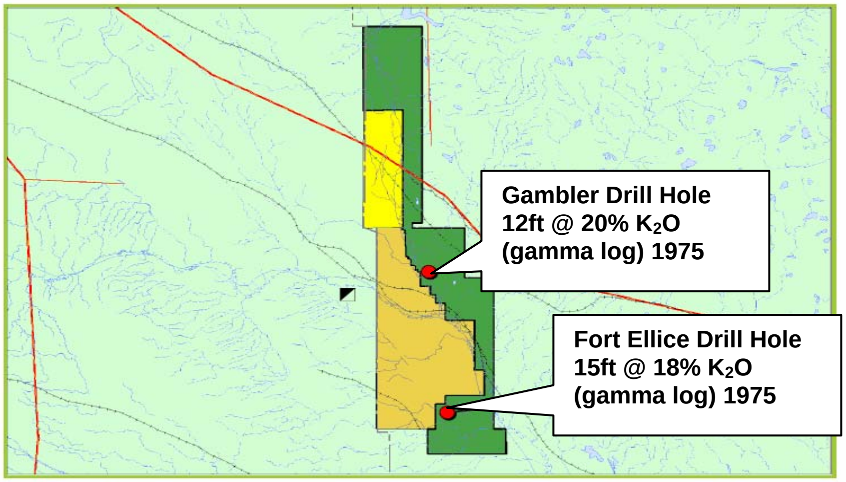


Source: Western Potash Corp., WWCM

Past Exploration Shows Moderate Success

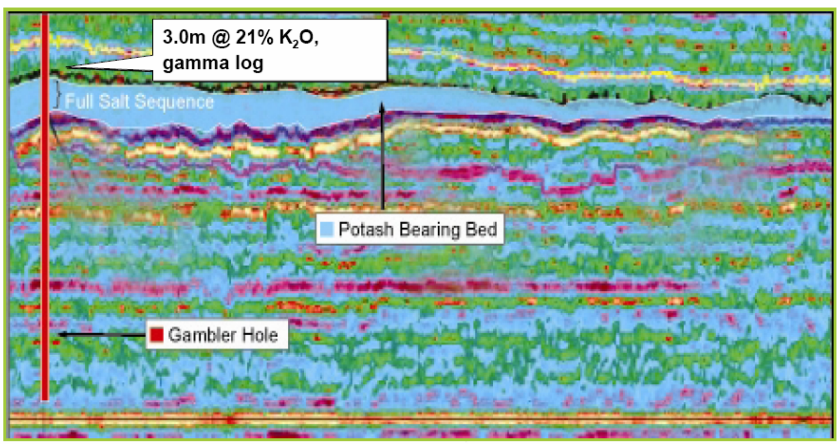
Historical drilling indicated intersections of 13.5 ft at 18% K_2O and 12.5 ft at 20% K_2O – these findings reveal ore grades slightly less robust than those of other nearby drill results and the nearest producing mine in SK. Historical drilling and seismic results on the Manitoba Potash Properties performed in 1975, including gamma ray analysis of two drill holes approximately 13 miles apart, has thus far revealed intersections of 13.5 ft at 18% K_2O and 12.5 ft at 20% K_2O (Exhibit 8). In addition, historic seismic data obtained by the Company appears to confirm the ~12 ft thickness of the potash zones encountered in the Gambler drill hole (Exhibit 10). Management plans to undertake a two-phased drill program over the next 12-18 months to expand on these historic holes.

Exhibit 9: Historic Drill Results Show Potential for Potash Resource Definition



Source: Western Potash

Exhibit 10: Historical Seismic Results Appear to Confirm the Gamma Log Potash Results

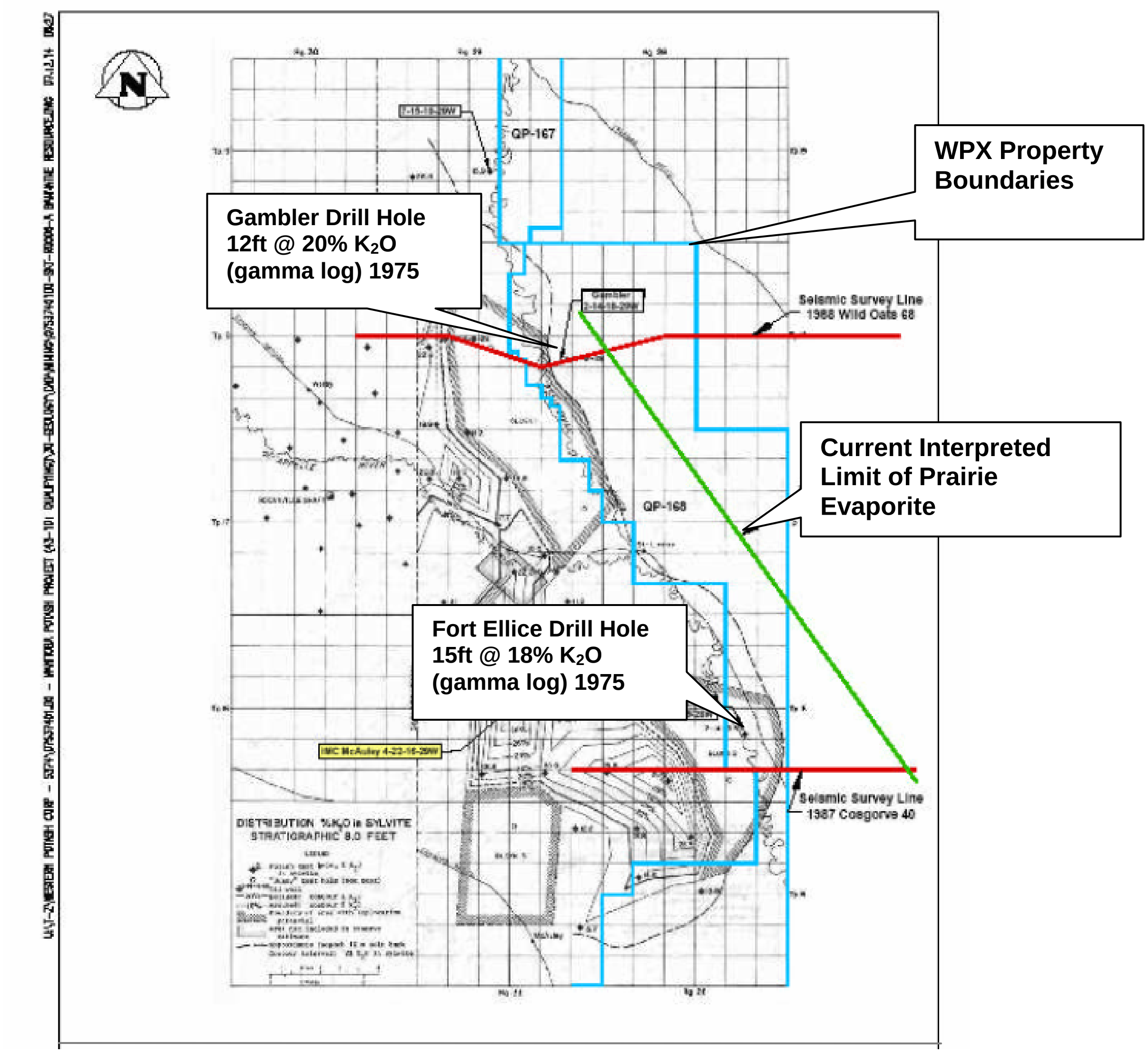


Source: Western Potash (Wildoats 1988 seismic survey)

Technical Risks—Drilling Should Help to Mitigate

The Company intends to drill test potash targets to determine technical properties and boundaries of the Prairie Evaporite – we view these drill tests as critical. Past interpretation of potash exploration results indicated that the boundary of the Prairie Evaporite ended at the Assiniboine River (on the western edge of the Company's properties), although the 1975 drill results indicate the potash sequence extends several kilometers east onto the Company's properties. The Company plans to test the limits of the Prairie Evaporite through drilling and seismic exploration programs with a goal of defining the easternmost edge of the economic potash sequence (Exhibit 11). At the same time, the Company plans to test the thickness of the salt interval between the top of the selected mining horizon to the top of the Prairie Evaporite Formation (the "salt back") to determine ground support and whether it will form an acceptable mining roof span. Typical of deposits of this nature, the deep (850m+) target zones of potash exploration will require significant expenditures (drilling costs estimated at $600-$1,000/m) and will be an important factor in computing the required threshold for an economic deposit. For these reasons of technical risk, we initially apply a higher discount rate to capture the added continuity and quality risk pertaining to the potash resource boundaries. As the resource and economics are further defined and delineated through exploration work, these project risks should be mitigated.

Exhibit 11: The Current Interpreted Limit of the Prairie Evaporite Transects the Company's Properties



Source: Western Potash Wardrop Engineering NI 43-101 Technical report, (April 30, 2008)

Future Plans—Phase I & Phase II Drilling

The Company is launching an aggressive $19 million advanced exploration program designed to confirm historical resource indications. Following the results of a NI 43-101 report prepared by Wardrop Engineering, in July 2008 the

Company intends to launch (pending permit approval and land access agreements) an aggressive $5 million Phase I exploration program, consisting of 5,000 m of drilling, 175 line km of 2D seismic surveys, exploration and interpretation. Results of Phase I are expected by the end of 2008. The goal of the Phase I program is to test the potash sequence for grade, thickness and mineralogy. If the Phase I program is successful, the Company could proceed with a $13.75 million Phase II program, consisting of 10 drill holes as well as 2D and 3D seismic surveys. Phase II is likely to require ~six months. Successful Phase I & II programs should allow the Company to prepare an initial NI 43-101 resource estimate, followed by environmental and scoping/pre-feasibility studies as a pre-requisite to establishing a production decision. (see Exhibit 12: for potential timeline)

Established Infrastructure

We believe the Company could benefit from extensive area infrastructure. The Manitoba Properties are connected to the provincial highway system, are transected by the Assiniboine River (a potential water source), and a 115 KV electrical power line passes near the south eastern boundary of the properties. The northern part of the property package is crossed by the CPR line that runs between Portage la Prairie, MB and Yorkton, SK. In addition, the CPR line from Portage la Prairie, MB to Melville, SK crosses the southern part of the exploration permits. A second CPR line runs across the south side of the properties from Rocanville, SK to Virden, MB. There are a number of small towns in the area from which the Company could draw labour, including Russell, MB, Rocanville, SK, and Birtle, MB. The Rocanville Potash Mine (operated by Potash Corp.) is located 13 km southwest of the Manitoba properties' boundaries.

Additional Property Position is a Potential Risk Mitigator

The Company has aggressively applied for permits and staked claims in Saskatchewan and Manitoba – these permits/options could substantially expand and diversify the property portfolio. In June 2008 the Company was granted three potash exploration licenses in Saskatchewan, covering an area of 92,463 hectares (Permit Nos. KP407, KP408 and KP409). These permits are immediately adjacent to potash permits held by BHP Billiton, Kennecott Canada and Potash One (KCL-T), and are approximately 40 km from the producing Mosaic (MOS-N) Belle Plaine solution potash mine.

Western Potash has also applied for four additional permit areas as follows:

1) 77,546 ha in southern Manitoba (Permit No. QP-170)
2) 72,757 ha extension to the south of application No. QP-170 (Permit No. QP-171)
3) 50,593 ha in the area south of Permit No. QP-168 (Permit No. QP-172)
4) 74,591 ha in the Pipestone district of Manitoba

Permits QP-170, QP-171, QP-172 and the Pipestone licenses are still pending approval by the Manitoba Mines Branch at time of writing. The Company expects these permits could be approved within the next six months. If approved, we contend the permits would open the door to potential value creation through either, a) a sale to a third party, or b) the option of developing a different property, which mitigates the “single asset risk” of the existing Manitoba optioned permits.

Manitoba: A Mining-friendly Jurisdiction

We contend the Company could benefit from operating in Manitoba, which the Fraser Institute recently named as the best policy environment in the world for mining. Mining is Manitoba’s second largest resource industry (after agriculture) and as such, receives significant local and government support. In 2007, Manitoba was rated as having the best policy environment in the world for mining by the Fraser Institute. In addition to reduced corporate taxes, Manitoba has a low mining tax rate as well as the following incentive programs: 1) tax holidays for new mines until capital costs have been recovered; 2) a tax deduction of 150% of new exploration expenditures (the portion that exceeds the three year average exploration spend); 3) a 20% tax deduction for processing assets; 4) PST exemptions for electricity and exploration equipment; 5) fuel tax exemptions for off-road exploration activities and ore transportation (to processing assets in Manitoba); and 6) certain payroll tax exemptions for mining companies.

Manitoba is centrally located within North America, providing ready access to ports and rails for export to the US and abroad. Manitoba is a key link in the mid-continent trade corridor. It has access to Asia and Europe through a deep water port on Hudson’s Bay (Churchill), and is a part of the closest shipping route between North America and Asia. Manitoba’s three rail connections provide ready access to the U.S. Midwest, one of the world’s largest potash markets in terms of demand. The province has a highly skilled work force and enjoys some of the lowest electricity rates in North America.

Manitoba: Potash Envy?

Recently there has been strong interest in the development of a Manitoba potash industry by majors, juniors and government. Several recent announcements, in addition to the Company’s current plans, highlight the strong interest in Manitoba’s emerging potash sector. These include the following:

1. Alix Resources (AIX-V) and Geo Minerals (GM-V) announce they have acquired potash rights in Manitoba and Saskatchewan (May-June 2008)

2. Mantra Mining (MAN-V) enters into an option to earn up to 100% interest in the 110,592 ha Elkhorn Potash Project in southwestern Manitoba, bordered to the north and south by Western Potash. (Feb 2008)

3. Potash North Resources (PON-V) stakes 75,000 ha on the border of Manitoba in Saskatchewan and raises $25 million. (May-June 2008)

4. BHP Billiton announces an investment of $15 million to explore the potential of a large potash deposit in the Russell-Binscarth area of Manitoba (Feb 2007)

5. Agrium announces plans for a $2.0 billion greenfield potash mine development that could take place in Manitoba or Saskatchewan. (July 2007)

We believe the Manitoba government is keen to support the development of a potash industry in Manitoba, boding well for potash permit-holders. Our view that Manitoba is interested to see a potash industry develop in the province was confirmed through discussions with the Manitoba government at a senior official level. Specifically, the comment was made that the provincial government is keen to help facilitate the development of a potash industry in Manitoba, provided that any projects are environmentally sound and offer sustainable development. The government official did not suggest how many potash projects Manitoba might ultimately develop, but the tone of our conversation suggested multiple mines were a real possibility. We view the above comments as favorable to the prospects for sector development in the province and for Western Potash.

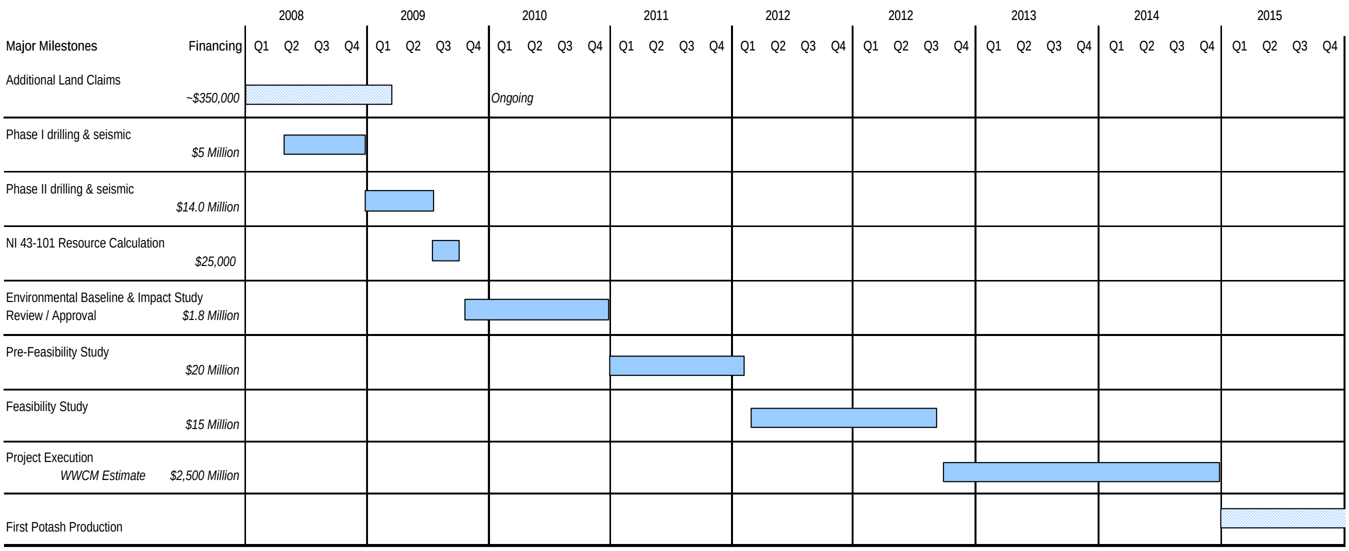
The Potash Mine Would Require ~7 Years, ~$2.5 Billion to Build

We assume ~US$2.5 billion is needed to develop a potash mine in Manitoba, which compares to similar cost estimates in neighbouring Saskatchewan. If and when developed, we estimate capex for Western Potash's two million tonne/yr room and pillar mine to be ~US$1,250/tonne or ~US$2.5 billion. We believe the activity heating up in the western Canadian potash industry, coupled with the possibility of continued robust commodity prices, will drive inflationary pressure for the equipment and (presumably) scarce labour needed to develop the project. As such, we suggest revisions to our capex estimate are more likely to the upside should the current trends in Western Canada continue.

Balance Sheet Likely Sufficient to Finance at Least Through 2009

Western Potash has approximately $43 million cash and an additional $30 million available if all warrants are exercised, suggesting the Company could fund exploration and development through 2009. Exhibit 12 depicts management expectations for development of the Manitoba Properties. With an estimated $55+ million required to progress through to the beginning of project development – which is in-line with projections of other junior Canadian potash companies – we suggest management will have sufficient cash available to finance the project through the early development stages to the end of 2009.

Exhibit 12: Management Estimates that Production Could Come On-line by 2015; Pending Success in Exploration Programs and Feasibility Studies



Note: The above schedule assumes confirmation of economic historical resource estimates and establishment of deposit feasibility

Source: Western Potash, WWCM

Project Economics

~US$590 million EBITDA Potential by 2017

With the broad assumption that KCl production could start in 2015, pending success in the exploration programs and feasibility study, we estimate ~US$590 million of EBITDA potential by 2017. We assume the potash facility will ramp from 25% production utilization in 2015 to 90% utilization by the company's third year of operations on a starting base of two million tonnes of annual KCl output. We assume ~$135 of per-tonne operating costs, derived from publicly available data for PCS and other companies. We also assume a base-case KCl price of US$450/tonne FOB VCR, which is a deep discount to recent spot transactions near US$1,000/tonne. We also assume an ore grade of 20% K_20, which is relatively consistent with WPX's historical gamma log exploration results. Given these assumptions, we estimate ~US$620 million of EBITDA in the first year of near-full production in 2017; adjusting for WPX's option to control a 95% interest in the project would imply ~US$590 million of annual EBITDA. Exhibit 14 reflects the above assumptions. We also estimate the Project NPV of $511 million and an NAV for WPX near $554 million.

KCl Prices and Ore Grade are Critical Assumptions

Project economics are highly sensitive to potash end-product prices. Exhibit 13 provides a look into the sensitivity of EBITDA for varying KCl prices and grades of ore, keeping all our other assumptions fixed. As an example of the significant EBITDA variability, for each US$50/tonne increase in KCl prices, we see nearly a US$50 million lift in annual EBITDA generation. We see modest EBITDA sensitivity based on the grade of the potash ore. The bottom line is, our model forecasts and valuation are heavily dependent on assumed fertilizer commodity prices.

Exhibit 13: EBITDA is Sensitive to End-product Price and Ore Grade

2017 EBITDA Sensitivity (US millions) - adjusted for 95% interest

		K2O Grade					
		18%	19%	20%	21%	22%	23%
	$400	$488	$495	$502	$508	$513	$518
KCl/tonne	$425	$531	$538	$545	$551	$557	$562
(FOB VCR)	$450	$574	$581	$588	$594	$600	$605
	$475	$617	$625	$631	$637	$643	$648
	$500	$660	$668	$674	$681	$686	$691

Source: WWCM

Building a Strong Management Team

We believe the CEO is building a strong management team of mineral explorers capable of executing on Western Potash's key near term milestones. Patricio Varas, CEO and President, has assembled a strong exploration management team, profiled below.

Patricio Varas - CEO and President - is a Geologist with over 21 years of senior mining experience. He was involved with discoveries at Diavik while at Kennecott in the position of Project Manager of the Diavik project, and was involved in the Santo Domingo Sur deposit discovery in Chile while at Far West Mining. We believe Mr. Varas is open to strategic partnerships to help take Western Potash's project(s) to production.

Dean Pekeski - VP Exploration - brings over 15 years of experience in mineral exploration where he worked for Rio Tinto, Kennecott and other companies.

Ron Brown - Potash Technical Advisor - brings over 40 years of potash mining experience across all stages of the business.

Buddy Doyle - Technical advisor and director - provides 25 years of exploration and senior mining experience. He managed the Diavik diamond project through discovery, feasibility and into development as VP Exploration for North American Diamonds. While at Kennecott Exploration, a division of Rio Tinto he discovered more than 100 kimberlites and was also involved with the discovery of the Lihir gold deposit in Papua New Guinea.

John Costigan - VP Corporate Development - brings over 21 years of international business experience to the Company.

Troy Mikolai - CFO & Director, brings over 9 years of accounting and auditing experience.

In addition, the Company has assembled a highly skilled Board of Directors, comprising individuals with over 45 years of combined experience in senior mining and management positions.

Exhibit 14: We Estimate ~US$600 Million EBITDA Potential from a Two Million MT/Year KCl Operation, Driving ~$500 Billion of NPV (using a 45-year DCF)

Western Potash - "What If" Scenario

Time to initial production	yrs	7.0
Resource	(M T ore)	249
Resource	(M T KCl)	80
Target production	(M T KCl)	2.0
Resource life	yrs	40.0
Ore processed, design (annual)		7.18
Base avg grade	K2O	20.0%
Assumed avg grade	K2O	20.0%
Mineral recovery		85%
KCl price (FOB VCR)	/T	$450
KCl price (FOB SK)	/T	$425
Initial capex	M	$2,500
Cost of capital discount		-2.0%
Cost of capital		12.0%
COGS, adjustment for scale		0%

Mine/mill	2.0	(MM tonne/year)
Initial capex	$1,250	(USD/tonne)
Total initial capex	$2,500	(MM)
% debt	50.0%	
Debt	$1,250	(~2x EBITDA)
Equity	$1,250	
Interest rate	8.0%	
Annual Interest	$100	

Benchmark Operating Costs

PCS' Potash Division

F2007			(/tonne)
Avg grade	K2O	23.0%	(assumed)
Production	(M tonne KCl)	9.16	
Net sales	(M)	$ 1,580.0	$ 172.49
Freight	(M)	178.1	$ 19.44
Transportation/distributio	(M)	39.1	$ 4.27
Sales	(M)	$ 1,797.2	$ 196.20
COGS	(M)	667.7	$ 72.89
D&A	(M)	71.7	$ 7.83
Selling & Admin	(M)	70.158	$ 7.66

F2006			(/tonne)
Avg grade	K2O	23.1%	
Production	(M tonne KCl)	7.018	
Net sales	(M)	$ 1,058.2	$ 150.78
Freight	(M)	130.5	$ 18.60
Transportation/distributio	(M)	38.8	$ 5.53
Sales	(M)	$ 1,227.5	$ 174.91
COGS	(M)	497.1	$ 70.83
D&A	(M)	58.3	$ 8.31
Selling & Admin	(M)	52.272	$ 7.45

										Production Growth/Yr	1.00%		
	DCF (US, millions) - 100%			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
					0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5
	Initial capex			($12)	($20)	($20)	($122)	($734)	($734)	($857)			
	Ore processed	MT KCl									7.18	7.25	7.32
	Production	MT KCl									2.00	2.02	2.04
	Mill Utilization										25%	50%	90%
	Net sales										$213	$429	$780
	COGS (150% and 125% of standard cost/tonne in production years 1 and 2, respectively)										($55)	($92)	($134)
	Gross margin										$158	$337	$647
	Selling & Admin										($35)	($35)	($36)
++	Royalties		1.0%								($3)	($4)	($8)
a	EBIT										$119	$297	$603
b	Add back D&A										$16	$16	$16
c=a+b	EBITDA		100%								$135	$313	$619
d	Less interest										($100)	($100)	($100)
# e=(a-d)x30%	Less taxes		30.0%										
f	Less maint capex										($19)	($19)	($19)
g	Less W/C changes										($50.0)	($0.5)	($0.5)
=c-e-f-g	FCFF			($12)	($20)	($20)	($122)	($734)	($734)	($857)	$66	$294	$599
	Discount factor				0.945	0.844	0.753	0.673	0.601	0.536	0.479	0.427	0.382
	DCF				($19)	($17)	($92)	($494)	($441)	($459)	$32	$126	$229
	NPV - 100%			$538									
	NPV - 95%			$511							all in cost	($232)	($277)
	Net Cash & Invstmts			$43							per tonne	$114.75	$135.91
	NAV			$554							w/ taxes	$114.75	$135.91
	P/NAV			0.23x									

++ Royalty - 2% NPR (at comm. prod. rate > 60%); assumes buyout of 1% in 2015

assumes tax holiday until 2020

Source: WWCM, PCS, CFI

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Western Potash Inc.	WPX-V	1, 2

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