

March 3, 2011

Western Potash Corp. (TSXV: WPX) – Commences Prefeasibility Study; MoU with the City of Regina

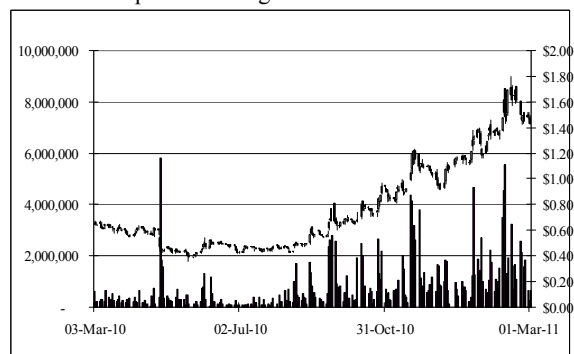
Sector/Industry: Junior Mining

www.westernpotash.com

Market Data (as of March 3, 2011)

Current Price	C\$1.44
Fair Value	C\$2.75 (↑)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.36 - C\$1.80
Shares O/S	138.67 mm
Market Cap	C\$199.68 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	3.28
YoY Return	121.5%
YoY TSXV	55.2%

*see back of report for rating and risk definitions



Investment Highlights

- Commenced prefeasibility study on Milestone.
- Signs Memorandum of Understanding with the City of Regina to evaluate the option of sourcing water from the City of Regina. We believe this is an encouraging development as the recently completed scoping study assumes water will be sourced from the Buffalo Pound Lake, which is located 85 km away from Milestone. Regina is only 30 km from Milestone.
- If viable, we believe the option to source water from the City of Regina should lower Milestone's capital and operating costs.
- On January 20, 2011, the company announced a two well drill program.
- In December 2010, the company closed a \$20 million bought deal financing by issuing 18.18 million units at a unit price of \$1.10.
- WPX management is planning a trip to India next week to explore opportunities with potential potash buyers. India, the third largest potash consumer (after China and the U.S.), currently imports 100% of its potash needs. We believe rising food prices in India will prompt Indian companies to secure long-term, stable potash supplies.

Key Financial Data (FYE - September 30)

(C \$)	2009	2010	2011 (3 mo)
Cash and Cash Equivalents	15,871,119	2,209,311	23,135,500
Working Capital	20,663,432	6,870,198	28,625,344
Mineral Assets	18,358,600	31,036,031	31,806,282
Total Assets	43,241,798	39,595,478	61,071,193
Net Income	(3,453,850)	(12,133,627)	(3,465,010)
EPS	(0.03)	(0.12)	(0.03)

The company's flagship property, Milestone, located 30 kilometers from Regina, is being explored for its potential to host a solution potash mine. The property has an NI 43-101 resource estimate of: Measured – 41 million tonnes (contained KCl); Indicated – 133 million tonnes, and; Inferred – 560 million tonnes.

***Commences
Feasibility
Study***

On January 19, 2011, the company announced it retained AMEC Americas Limited (LSE: AMEC) as the Lead Engineering Consultant for a feasibility study on Milestone. The process started with the commencement of a prefeasibility study. AMEC is familiar with the project as they had completed a scoping study on Milestone last year. The scoping study results, announced in September 2010, indicated that the project is of sufficient size and grade to support solution mining for more than 40 years at a production rate of 2.5Mt/yr.

The prefeasibility study will primarily include an updated NI 43-101 resource estimate, additional drilling, well field development, further studies on solution mining, port options, infrastructure, water supply options, salt storage area, etc. The study will also include a revised economic analysis to account for the additional information collected in the process. **WPX expects the prefeasibility study to be completed by Q4-2011.**

***MoU with the
City of Regina
for Water
Supply***

On February 18, 2011, the company announced it signed a Memorandum of Understanding with the City of Regina to evaluate the option of sourcing water from the City of Regina. **WPX's Milestone project is located 30 km southeast of Regina.** This study will be a part of the ongoing prefeasibility study mentioned above. WPX and the City of Regina will also evaluate options for upgrading/constructing water facilities for use by both WPX and the city.

We believe this is an encouraging development as the recently completed scoping study assumes water will be sourced from the Buffalo Pound Lake, which is located 85 km away from Milestone. The scoping study assumed WPX will fund 100% of the capital cost associated with the construction of a pipeline from Buffalo Pound to Milestone. The total estimated project capital cost of \$2.51 billion (according to the scoping study) includes about \$300 million set aside for the costs associated with the construction and installation of a water supply system.

This MoU is in response to AMEC's recommendation in the scoping study to evaluate other options to lower water supply CAPEX. **If viable, we believe the option to source water from the City of Regina should lower Milestone's capital and operating costs; thereby improving the overall economics of the project. This MoU also indicates that the City of Regina believes they have enough water to supply the Milestone project.**

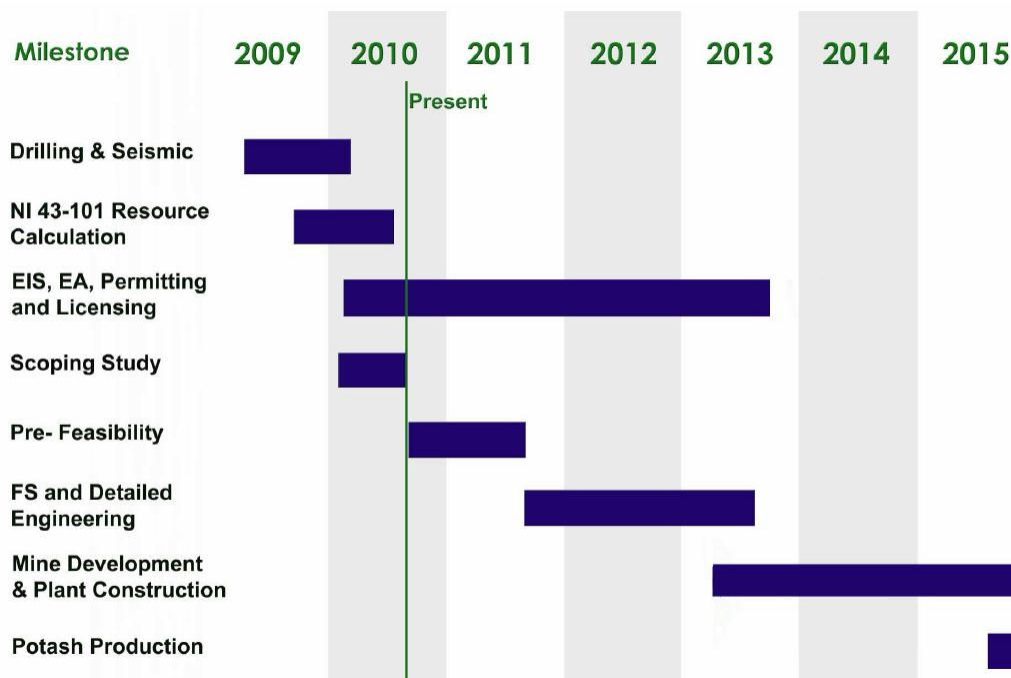
***Commences
Drill Program***

On January 20, 2011, the company announced a two well drill program. The objective of the program is to collect drill core for geochemical analysis, rock mechanic studies, and dissolution laboratory testing.

The results of the program will be used by the ongoing prefeasibility study to update the project's resource estimate.

***Development
Timeline***

The following chart shows the proposed development timeline. Management has not made any significant changes to the development timeline since our previous report in December 2010.

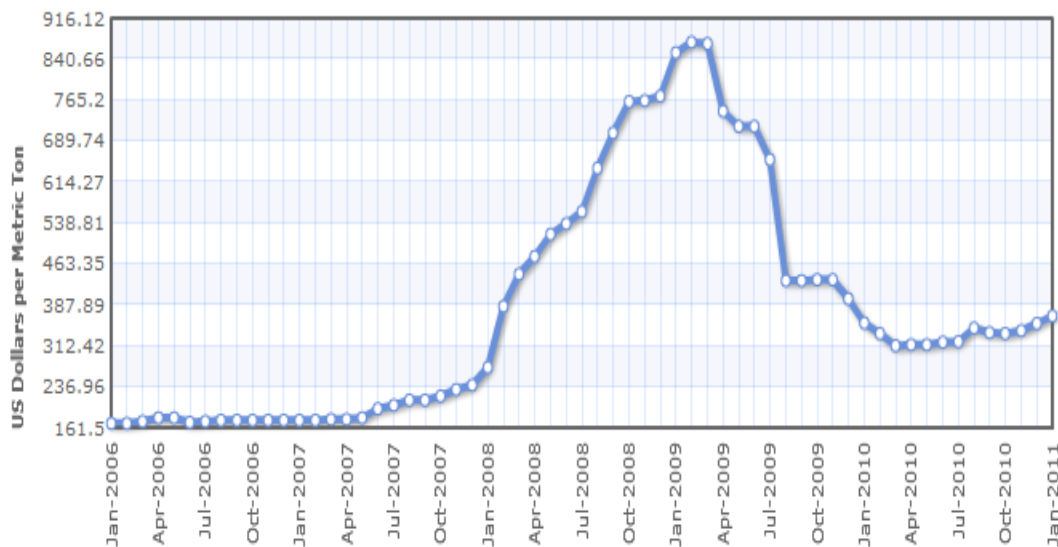


Source: Company

As shown in the table, the ongoing prefeasibility study is expected to be completed by late 2011. Mine development and plant construction is expected to take place over a two year period (2013-2015), and production is expected to begin in year three (end of 2015).

Outlook on Potash

The chart below shows spot prices for the last five years, for standard grade, f.o.b. Vancouver. As shown in the chart, spot prices increased from a low of US\$312.50/mt in March 2010 to US\$367.50/mt in January 2011.



Source: indexmundi

Our long term projections are moderately bullish based on the following factors:

- Approximately 95% of KCl is used in the manufacturing of fertilizers.
- **Population growth and improvement in diet in developing countries positively impact farmland returns** - The global population is expected to reach around nine billion by 2050, up from the current population of 6.8 billion. Overall, the World Bank projects food demand will increase by 50% by 2030 from population growth (shown in the chart below) and an increase in wealth in developing countries.
- The per capita consumption of meat in developing countries, currently estimated to be 50% below developed countries, is expected to increase in the future - which would drive up demand for grains to be used as livestock feed.
- Crop yields must increase to feed the growing population since the amount of arable land (land used for growing crops) is fixed. Fertilizers are the most effective means of increasing crop production and improving the quality of food and fodder.
- The **potash industry is primarily controlled by eight major producers**. The concentrated market allows these producers to control production, and possibly influence prices.
- High barriers to entry due to **large capital investment and time required to bring a potash project to production**.

Financials

In December 2010, the company **closed a \$20 million bought deal financing** by issuing 18.18 million units at a unit price of \$1.10. Each unit consisted of a common share and one-half common share purchase warrant (exercise price - \$1.75; maturity date - June 2013).

At the end of Q1-2011 (quarter ended December 31, 2010), the company had \$23.14 million in cash and cash equivalents. Working capital was \$28.63 million. The company reported a net loss of \$3.47 million (EPS: -\$0.03) in Q1-2011. We estimate the company's burn rate (spending on its operations and exploration) was \$1.62 million per month in the first three months of FY2011, versus \$1.51 million per month in FY2010 (12 month period). The table below shows a summary of the company's cash and liquidity position.

(in C\$)	2009	2010	2011 (3 mo)
Cash and Cash Equivalents	15,871,119	2,209,311	23,135,500
Working Capital	20,663,432	6,870,198	28,625,344
Current Ratio	22.7	12.3	127.9
LT Debts/Assets	-	-	1
Burn Rate Per Month	(1,260,754)	(1,508,406)	(1,617,287)
Cash from financing activities	1,243,549	617,500	25,322,639

WPX's working capital also includes \$3.63 million in loans receivables from related companies, including Discovery Harbour Resources Corp. (private), Pennant Energy Inc.(TSXV: PEN), and Arctic Star Diamond Corp. (TSXV: ADD).

Stock Options and Warrants: The company has 34.99 million warrants (exercise price - \$0.97), and 11.69 million stock options (exercise price - \$0.62) outstanding. All the outstanding options and 35.22 million warrants are currently in the money. **The company**

can raise up to \$27 million if all these options and warrants are exercised.

Valuation & Rating

Our DCF valuation on Milestone was maintained at \$882 million, or \$5.61 per share. In this report we will start to factor our DCF value into our fair value estimate though we will still give a higher weighting to our comparables valuation.

Our valuation on Milestone, based on a peer average EV/KCL resource ratio of \$0.61/t (up from the \$0.40/t we used in our previous report), is \$1.76 per share (up from our previous estimate of \$1.51 per share).

Company	Adj. EV / KCL Resource (\$/tonne)
1 Encanto Potash Corp	\$4.04
2 Reward Minerals Ltd.	\$0.83
3 Potash One Inc.	\$0.54
4 Western Potash Corp.	\$0.40
5 MagIndustries Corp.	\$0.27
Weighted Average ¹	\$0.61
Fair Value	\$1.76

1. EPO's ratio was discounted by 75% as it is an outlier
2. Resources include all measured and indicated, and half of inferred
3. WPX's EV was adjusted for book value of other assets, and working capital + investments

Adding working capital, investments and the book value of other assets, to our fair value estimate on the Milestone project, we arrived at a comparables valuation of \$2.00 per share (up from \$1.64 per share).

Valuation Summary

Milestone	\$277,490,072
Book Value of Other Assets (discounted by 50%)	\$6,134,144
Working Capital + Investments	\$31,433,947
Fair Value	\$315,058,163
Shares (diluted)*	157,358,515
Fair Value per Share	\$2.00

*Calculated based on the treasury stock method

Based on a review of our DCF and comparables valuation, we reiterate our BUY rating, and raise our fair value estimate from \$1.64 to \$2.75 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The value of the company depends heavily on potash prices.
- Access to capital and share dilution.
- The company does not currently have any producing mineral properties.

We rate the company's shares a RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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