



Condensed interim consolidated financial statements of

Potash Ridge Corporation

For the three and six months ended June 30, 2013 and June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Management's responsibility for financial reporting	3
Condensed interim consolidated statements of financial position	4
Condensed interim consolidated statements of loss and comprehensive loss	5
Condensed interim consolidated statements of changes in equity	6
Condensed interim consolidated statements of cash flows	7
Notes to the condensed interim consolidated financial statements.....	8 — 15

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed interim consolidated financial statements of Potash Ridge Corporation (the "Corporation") were prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management, in discharging these responsibilities, maintains a system of internal controls designed to provide reasonable assurance that its assets are safeguarded, only valid and authorized transactions are executed and accurate, timely and comprehensive financial information is prepared. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for reviewing and approving the condensed interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities.

POTASH RIDGE CORPORATION

(An Exploration and Development Stage Entity)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - In Canadian dollars)

	June 30 2013	December 31 2012
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 13,983,710	\$ 17,800,890
Short term deposits (Note 3)	-	4,975,000
Restricted cash (Note 4)	401,881	212,353
Receivables (Note 5)	218,741	361,386
Other current assets	340,450	227,434
	14,944,782	23,577,063
Exploration and evaluation assets (Note 6)	17,297,307	10,300,480
Property, plant and equipment	511,466	368,734
Restricted cash (Note 4)	368,130	-
Other non-current assets	216,287	108,708
	\$ 33,337,972	\$ 34,354,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,747,961	\$ 1,677,517
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	33,428,933	33,267,933
Contributed surplus (Note 7)	5,837,905	5,317,884
Deficit	(7,660,963)	(5,902,684)
Accumulated other comprehensive loss	(15,864)	(5,665)
	31,590,011	32,677,468
	\$ 33,337,972	\$ 34,354,985

Approved by the Board of Directors on July 31, 2013.

(Signed) GUY BENTINCK
Director

(Signed) NAVIN DAVE
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

POTASH RIDGE CORPORATION
(An Exploration and Development Stage Entity)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - In Canadian dollars)

	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
	2013	2012	2013	2012
EXPENSES				
Management, employee, director, general and administrative expenses	\$ 1,117,884	370,741	\$ 2,084,264	675,917
Professional fees	290,205	314,369	605,063	513,143
Share-based compensation (Note 9)	250,206	-	453,957	220,500
Prospecting	4,012	3,795	4,012	11,389
Depreciation	35,130	924	61,966	1,622
	(1,697,437)	(689,829)	(3,209,262)	(1,422,571)
OTHER ITEMS				
Interest income	8,734	36,520	31,520	64,877
Foreign exchange gain	895,581	124,921	1,419,463	79,495
Net loss for the period	(793,122)	(528,388)	(1,758,279)	(1,278,199)
OTHER COMPREHENSIVE INCOME				
Foreign currency translation adjustment	(18,064)	(3,820)	(10,199)	(1,434)
Comprehensive loss for the period	\$ (811,186)	\$ (532,208)	\$ (1,768,478)	\$ (1,279,633)
Weighted average number of common shares outstanding	86,709,032	66,215,966	86,652,643	66,215,966
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

POTASH RIDGE CORPORATION
(An Exploration and Development Stage Entity)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - In Canadian dollars)

	Number of voting shares	Number of non-voting shares	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income/(loss)	Total shareholders' equity
Balance at January 1, 2013	81,303,778	5,055,254	\$ 33,267,933	\$ 5,317,884	\$ (5,902,684)	\$ (5,665)	\$ 32,677,468
Exercised options	350,000	-	161,000	(73,500)	-	-	87,500
Net loss	-	-	-	-	(1,758,279)	-	(1,758,279)
Effect on foreign currency translation	-	-	-	-	-	(10,199)	(10,199)
Share based compensation (Note 9)	-	-	-	593,521	-	-	593,521
Balance at June 30, 2013	81,653,778	5,055,254	\$ 33,428,933	\$ 5,837,905	\$ (7,660,963)	\$ (15,864)	\$ 31,590,011
Balance at January 1, 2012	66,215,966	-	\$ 16,398,381	\$ 1,994,582	\$ (1,129,365)	\$ 382	\$ 17,263,980
Net loss	-	-	-	-	(1,278,199)	-	(1,278,199)
Effect on foreign currency translation	-	-	-	-	-	(1,434)	(1,434)
Share based compensation (Note 9)	-	-	-	636,300	-	-	636,300
Accumulated Other Comprehensive Income	-	-	-	-	-	-	-
Transaction costs	-	-	(45,964)	-	-	-	(45,964)
Balance at June 30, 2012	66,215,966	-	\$ 16,352,417	\$ 2,630,882	\$ (2,407,564)	\$ (1,052)	\$ 16,574,683

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

POTASH RIDGE CORPORATION
(An Exploration and Development Stage Entity)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - In Canadian dollars)

	Six months ended June 30 2013	Six months ended June 30 2012
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the periods	\$ (1,758,279)	\$ (1,278,199)
Items not affecting cash:		
Depreciation	61,966	1,622
Share based compensation (Note 9)	453,957	220,500
Foreign exchange gain	(1,106,415)	(4,548)
Changes in non-cash working capital items:		
Decrease/(Increase) in receivables	142,645	(99,995)
Increase in other current assets	(113,016)	(209,503)
Increase in other non-current assets working capital	(107,579)	(63,718)
Increase in operating restricted cash	(557,658)	(152,714)
Decrease in accounts payable and accrued liabilities	(1,337,571)	(744,485)
Net cash used in operating activities	(4,321,950)	(2,331,039)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(204,583)	(48,900)
Decrease/(Increase) in short term deposits	4,975,000	(5,016,171)
Payment for acquisition of Utah Alunite	-	(99,500)
Exploration and evaluation assets	(4,889,856)	(2,535,329)
Net cash used in investing activities	(119,439)	(7,699,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue costs	-	(810,432)
Net proceeds from share options exercised	87,500	-
Net cash provided by (used in) financing activities	87,500	(810,432)
 Decrease in cash and cash equivalents for the period	 (4,353,889)	 (10,841,371)
Effect of foreign exchange rate changes on cash and cash equivalents	536,709	803
Cash and cash equivalents, beginning of the period	17,800,890	16,707,246
 Cash and cash equivalents, end of the period	 \$ 13,983,710	 \$ 5,866,678

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

POTASH RIDGE CORPORATION
(An Exploration and Development Stage Entity)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013

(Unaudited - In Canadian dollars, except where otherwise noted)

1. NATURE OF OPERATIONS

Potash Ridge Corporation (the "Corporation") is a corporation operating under the Ontario Business Corporation Act. Its registered office is located in Toronto, Canada at 3 Church Street, Suite 600, Toronto, Ontario, M5E 1M2. The Corporation became a reporting issuer in all the provinces of Canada on November 27, 2012. On December 5, 2012, the Corporation closed its initial public offering (the "IPO") of Common Shares. The Common Shares were listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "PRK" on December 5, 2012.

The principal activity of the Corporation is the exploration and development of its Blawn Mountain alunite property in Utah, USA. The Blawn Mountain property is located on lands belonging to the State of Utah, managed by the State of Utah School and Institutional Trust Lands Administration ("SITLA") and leased to the Corporation through a Mining Exploration Agreement with option to Lease (the "Exploration Agreement"). The Blawn Mountain property is the Corporation's only material development property.

Through the IPO, the Corporation received gross proceeds of \$14,944,746. Concurrent with the IPO, the Corporation raised additional gross proceeds of \$5,055,254 by way of a private placement of units (see Note 7).

The Corporation is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to, the challenges of securing adequate capital to fund its activities, operational risks inherent in the mining industry, and global economic and commodity price volatility. The underlying value of the Blawn Mountain alunite property and the recoverability of the related capitalized costs are entirely dependent on the Corporation's ability to successfully develop the Blawn Mountain property by, among other things, developing an economic process to mine and process alunite into sulphate of potash, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of, its mineral property.

The Corporation incurred a comprehensive loss for the six months ended June 30, 2013 of \$1,768,478 (June 30, 2012 - \$1,279,633) and reported an accumulated comprehensive deficit of \$7,676,827 as at June 30, 2013 (December 31, 2012 - \$5,908,349). The Corporation's sole source of funding has been the issuance of equity securities for cash. As at June 30, 2013, the Corporation had \$13,983,710 (December 31, 2012 - \$22,775,890) in cash and cash equivalents and short term deposits. There are no sources of operating cash flows. The Corporation intends to use its existing cash resources to complete a pre-feasibility study, continue execution of its permitting strategy, complete metallurgical confirmation test work and pilot-scale test-work, and incur project management and general corporate and operating expenditures. The Corporation will continue to seek and evaluate various financing alternatives to address future development funding requirements. Although the Corporation has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in future fundraisings.

These condensed interim consolidated financial statements have been prepared under the assumption that the Corporation will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2013. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Corporation on July 31, 2013.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These condensed interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Statements. The condensed interim consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Corporation's annual financial statements at December 31, 2012. Any subsequent changes to IFRS that are reflected in the Corporation's consolidated financial statements for the year ended December 31, 2012 could result in restatement of those condensed interim consolidated financial statements.

b) Basis of preparation

The condensed interim consolidated financial statements have been prepared on the historical cost convention, modified by the revaluation of any financial assets and financial liabilities at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies.

c) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Corporation and its wholly-owned subsidiary Utah Alunite Corporation ("UAC"). Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

3. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

Cash and cash equivalents consisted of \$4,095,388 (December 31, 2012 - \$7,601,688) in Canadian dollar denominated current accounts, and \$9,888,322 (December 31, 2012 - \$10,199,202) in U.S. dollar denominated current accounts.

All accounts and deposits are with a Canadian chartered bank with an AA- rating from Standard & Poor's except US\$211,163, which is held in an account with a Utah-based commercial bank.

4. RESTRICTED CASH

The Corporation has set aside \$770,011 (December 31, 2012 - \$212,353) relating to reclamation surety bonds and collateral requirements (\$401,881), and a Letter of Credit posted in accordance with the lease of the Corporation's Salt Lake City office (\$368,130). The funds relating to the reclamation surety bonds are to be released upon the Corporation meeting all of its commitments to SITLA relating to its on-site activities.

5. RECEIVABLES

Receivables of \$218,741 (December 31, 2012 - \$361,386) consisted entirely of harmonized sales tax ("HST") receivables.

6. EXPLORATION AND EVALUATION ASSETS

The following is a summary of exploration and evaluation expenditures related to the Corporation's Blawn Mountain alunite property that have been capitalized.

	As at June 30, 2013	As at December 31, 2012
Drilling	\$ 5,221,631	\$ 3,983,522
Pre-feasibility study	3,906,080	-
Preliminary economic assessment	2,714,455	2,712,990
Professional and labour	2,043,001	1,125,222
Employee salary and benefits	1,269,652	570,171
Employee share based compensation (non-cash)	929,730	790,166
Acquisition of land mineral lease	533,193	495,496
Transportation	215,499	183,888
Equipment rentals	186,147	176,095
Data acquisition	143,062	135,337
Field expenditures	106,526	100,792
Permit application and acquisition	21,920	20,736
Other	6,411	6,065
Total exploration and evaluation assets	\$ 17,297,307	\$ 10,300,480

7. ISSUED CAPITAL

- a) *Authorized: the Corporation is authorized to issue an unlimited number of common shares ("Common Shares") and 50,000,000 non-voting shares.*

On December 4, 2012, the Corporation amended its articles to create a class of non-voting shares (the "Non-voting Shares")

b) Summary of financings and securities issued:

	Note	Common Shares			Note	Convertible Securities					Contributed Surplus
		Number of Voting Shares Issued	Number of Non-Voting Shares Issued	Share Capital		Number of Subscriber Warrants	Number of Broker Options	Number of Incentive Options	Number of Broker Warrants	Number of Non-Voting Warrants	
Opening Balance at January 1, 2012		66,215,966	-	\$ 16,398,381		10,787,500	1,685,600	2,850,000	839,458	-	\$ 1,994,582
Initial public offering											
December 5, 2012	7i)	14,944,746	-	15,047,812		-	-	-	-	-	-
Issue costs		103,066	-	(1,655,310)		-	-	-	-	-	-
Private placement - non-voting shares											
December 5, 2012	7ii)		5,055,254	5,055,254		-	-	-	-	-	-
Issue costs		-	-	(84,828)		-	-	-	-	-	-
Issue costs - non-voting warrants		-	-	(1,516,576)		-	-	-	-	5,055,254	1,516,576
Exercised warrants		40,000	0	23,200	-	40,000	-	-	-	-	3,200
Share-based compensation	9	-	-	-		-	-	3,980,000	-	-	1,809,926
Balance at December 31, 2012		81,303,778	5,055,254	33,267,933	-	10,747,500	1,685,600	6,830,000	839,458	5,055,254	5,317,884
Exercised share options	9b)	350,000	-	161,000		-	-	(350,000)	-	-	(73,500)
Expired share options	9c)	-	-	-		-	-	(350,000)	-	-	-
Share-based compensation	9a)	-	-	-		-	-	140,000	-	-	593,521
Balance at June 30, 2013		81,653,778	5,055,254	\$ 33,428,933		10,747,500	1,685,600	6,270,000	839,458	5,055,254	\$ 5,837,905

i) IPO

On December 5, 2012, the Corporation closed its IPO of 14,944,746 Common Shares of the Corporation at \$1.00 per common share for aggregate gross proceeds of \$14,944,746. The Corporation incurred \$1,655,310 of underwriters' commission and other issuance costs relating to the IPO. As partial compensation for the underwriters' commission the Corporation issued 103,066 Common Shares to the underwriters.

ii) Issued and outstanding Non-Voting shares:

On December 5, 2012, concurrent with the IPO, the Corporation issued 5,055,254 units of the Corporation (the "Private Placement Units") to Sprott Resource Partnership pursuant to an exemption from the prospectus requirements under applicable securities laws for an aggregate subscription price of \$5,055,254. Each Private Placement Unit consists of one Non-voting Share and one warrant to acquire one Non-voting Share exercisable at a price of \$1.00 until December 5, 2014 being two years following the closing date of the IPO. \$0.70 of the \$1.00 received per unit has been allocated to non-voting share capital (before consideration of issue costs), or \$3,538,678 in aggregate, with the remaining \$0.30 per unit or \$1,516,576 in aggregate allocated to the warrants (before consideration of issuance costs) based on their relative fair values at the time of issuance. The Corporation incurred \$84,828 of issuance costs for the Private Placement Units.

8. CONVERTIBLE SECURITIES – WARRANTS, BROKER WARRANTS OR OPTIONS

The following table reflects the actual convertible securities outstanding as at June 30, 2013:

Expiry date	Type	Fair value (\$ (at issuance)	Exercise price (\$)	Issued	Exercised	Outstanding
November 27, 2014	Subscriber warrants	0.04	0.50	10,787,500	40,000	10,747,500
November 27, 2014	Broker unit options	0.15	0.25	1,685,600	-	1,685,600
November 27, 2014	Broker warrants	0.42	0.75	839,458	-	839,458
December 5, 2014	Warrants (Non – voting shares)	0.30	1.00	5,055,254	-	5,055,254
				18,367,812	40,000	18,327,812

9. SHARE-BASED COMPENSATION

The Corporation maintains a stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors, or consultants of the Corporation, options to acquire common shares in such numbers, for such terms and at such exercise prices, as may be determined by the Board of Directors or such committee. The stock option plan provides that the total number of common shares that may be reserved for issuance for all purposes under the stock option plan cannot be more than 10% of the outstanding common shares at the time of any grant of stock options. The terms of the options, including when they vest, are determined by the Board of Directors as they are granted.

The fair value of stock options granted during the period ended June 30, 2013 was estimated at the date of the grant using the Black Scholes option-pricing model. Key assumptions used were as follows:

Grant	
Exercise price.....	\$1.00
Risk-free interest rate.....	0.97%
Annualized expected volatility	100%
Expected life of options.....	7.5 years
Dividend rate.....	0%
Forfeiture rate.....	0%
Value per option.....	\$0.39

The following table reflects the continuity of stock options for the six months ended June 30, 2013.

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2011	2,850,000	0.25
Granted	3,980,000	0.94
Cancelled/expired	-	-
Balance, December 31, 2012	6,830,000	0.65
Granted (a)	140,000	1.00
Exercised (b)	(350,000)	0.25
Expired (c)	(350,000)	0.75
Balance, June 30, 2013	6,270,000	0.67
Exercisable, June 30, 2013	4,196,667	0.51

- a) During the six months ended June 30, 2013, the Corporation granted a total of 140,000 stock options to certain employees. The stock options were granted with a term of 10 years from the date of grant and are exercisable at a price of \$1.00. These options vest on the following schedule: 1/3 on grant, 1/3 a year after grant, 1/3 two years after grant.
- b) During the six months ended June 30, 2013, 350,000 stock options were exercised at an exercise price of \$0.25, resulting in net cash proceeds of \$87,500 and a fair value of \$161,000 recorded in share capital.
- c) 350,000 stock options at an exercise price of \$0.75 expired unexercised during the six months ended June 30, 2013.

As at June 30, 2013 the Corporation has committed to the issuance of 700,000 stock options in a subsequent period to certain officers. The estimated share based compensation of these committed stock option grants recorded in the six months ended June 30, 2013 was \$66,467.

The total share-based compensation of \$593,521 for the six months ended June 30, 2013 (June 30, 2012 - \$636,300) was allocated as follows:

Period ended June 30,	2013	2012
Share-based compensation	453,957	220,500
Exploration and evaluation assets	139,564	415,800
	593,521	636,300

The following table summarizes incentive stock options outstanding at June 30, 2013:

Number outstanding	Number vested and exercisable	Exercise price	Expiry date	Weighted average remaining actual life (years)
2,500,000	2,500,000	\$0.25	December 9, 2021	8.4
600,000	600,000	0.75	January 26, 2022	8.6
60,000	60,000	0.75	February 1, 2022	8.6
2,970,000	990,000	1.00	December 5, 2022	9.4
110,000	36,667	1.00	March 27, 2023	9.7
30,000	10,000	1.00	May 9, 2023	9.7
6,270,000	4,196,667			

10. RELATED PARTY TRANSACTIONS

The Corporation's related parties as defined by IAS 24 "Related Party Disclosures" ("IAS 24"), include the Corporation's subsidiary, executive and non-executive directors, senior officers and entities controlled or jointly controlled by the Corporation's directors or senior officers.

The compensation expense incurred by the Corporation including its subsidiary is summarized in the tables below:

	Salary or Fee	Bonus	Share-based Award	Other	Total
Six months ended June 30, 2013					
Senior officers	\$ 617,500	\$ -	\$ 239,811	\$ 84,650	\$ 941,961
Directors	118,000	-	315,000	-	433,000
Six months ended June 30, 2012					
Senior officers	365,593	-	636,300	15,539	1,017,432
Directors	-	-	-	-	-

11. COMMITMENTS AND CONTINGENCIES

Under the terms of the Exploration Agreement, the Corporation owns an unconditional option (the "Lease Option") to convert its exploration right into a long-term mining lease upon written notice and payment to SITLA of US\$1,020,000. The Lease Option is available to the Corporation until March 31, 2014.

In addition, SITLA is entitled to a production royalty of 5% of the gross value of potash and clay minerals and 4% of the gross value for metalliferous minerals (including alumina) as a result of the mining of alunite from the Blawn Mountain property.

The future minimum payments under operating leases are as follows:

	Lease Payments
For the years ending:	
2013	\$ 417,348
2014	369,802
2015 and beyond	1,301,078
Total	\$ 2,088,228

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.