

**PASSPORT POTASH INC.**

**MANAGEMENT DISCUSSION & ANALYSIS  
FOR THE QUARTER ENDED NOVEMBER 30, 2011**

**Date Submitted: January 30, 2012**

## **Management's Discussion and Analysis of Financial Position and Results of Operations**

The following information, prepared as of January 23, 2012, should be read in conjunction with the interim financial statements for the period ended November 30, 2011 as well as the MD&A and the annual audited financial statements of Passport Potash Inc. ("Passport" or the "Company") for year ended February 28, 2011. All amounts are expressed in Canadian dollars unless otherwise stated.

### ***General***

The Company is an early stage natural resource company engaged in the acquisition, exploration and development of mineral resource properties. The Company currently has six properties, Holbrook Holdings, Navajo County, Twin Butte Ranch, Ringbolt, American Potash, Mesa Uranium and Fitzgerald Ranch, Arizona.

### ***Overall Performance***

Passport Potash Inc. (formerly Passport Metals Inc.) was incorporated on August 11, 1987 under Part 1A of the *Quebec Companies Act*. The Company is engaged primarily in the business of evaluating, acquiring, exploring, and if warranted, developing of natural resource properties. The Company has produced no revenues to date. The Company continued its corporate jurisdiction from the Province of Quebec to the Province of British Columbia effective April 26, 2011. Quebec's new Business Corporations Act came into effect February 14, 2011, which allowed continuance from the Province of Quebec to other jurisdictions. The shareholders had approved the Directors effecting a continuance of the Company from Quebec to British Columbia as soon as the new Quebec Business Corporations Act came into effect.

### **Mineral Properties**

#### **Holbrook Holdings, Navajo County, Arizona**

Passport Potash Inc. Holbrook Basin Potash Project is located 13 kilometres (8 miles) east of the Town of Holbrook in the County of Navajo, Arizona. The project consists of five distinct land parcels. The project lies within the Permian Holbrook Basin of east central Arizona. The central 9,030 square kilometres of the basin is underlain by an evaporite sequence that includes a central 1,550 square kilometre portion that hosts a continuous potash horizon ranging in thickness from 0.3 to 12.2 metres. The potash is the target of the Passport Potash Inc. exploration program. There have been two estimates for the entire potash component of the Holbrook Basin. The area of the Holbrook Basin underlain by potash is 1,550 square kilometres or 155,000 hectares. Carr (1966) estimated a geological target of 256.9 million tonnes of potash at an average grade of 19.76% K<sub>2</sub>O. Rauzi (2008) reviewed all of the available data and estimated a geologic target for the entire Holbrook Basin of 682 million tonnes at 6% K<sub>2</sub>O to 2.58 billion tonnes at 20% K<sub>2</sub>O.<sup>1</sup> These estimates are conceptual in nature and have not been verified by the Qualified person nor have they been confirmed by recent drilling.

#### **Southwest Property**

The initial parcel consists of 18 mineral exploration permits totaling 11,046.73 acres or 4,470.45 hectares. Passport Potash Inc. is earning a 100% interest from Southwest Exploration Inc. in the exploration permits by making cash payments totaling US\$1,250,000 and issuing 500,000 common shares, subject to a 1% Net Smelter Return (NSR) royalty. Passport must also grant 1,000,000 options with the price set by the 10 day trading average from the date of TSX Venture Exchange approval. The options have a three year expiry date.

A second amendment to the Southwest Exploration agreement was dated for reference on April 1, 2010 that the pursuant to the Mineral Property Agreement, the Optionee was to pay the Optionor US \$250,000 in cash (the "Payment") on or before April 1, 2010. However no payment has been made to date. The parties have agreed to extend the due date of payment to October 1, 2010. On November 5, the TSX Venture accepted for filing a shares for debt settlement with the vendors and 5,000,000 common shares were issued with a hold period to March 9, 2011.

## Twin Buttes Property

The second parcel is the Twin Butte Ranch and consists of 28,526 acres (11,544 hectares) of deeded land, Under the terms of this agreement, Passport can earn an undivided 100% interest in the deeded land and sub-surface minerals rights by making lease payments totaling US\$500,000 over the next four years and, upon exercising its option to purchase, by paying US\$20,000,000 for the entire Twin Butte Ranch property including all sub-surface mineral rights, except those pertaining to oil and gas, petrified wood and geothermal resources.

## Mesa Uranium Property

**On July 14, 2010**, the Company announced that it has signed a non-binding letter of intent with Mesa Uranium Corp. (MSA: TSX.V) on the Holbrook Potash project. The project consists of Arizona State Land Department exploration leases covering 1,950 acres and is 100% wholly-owned by Mesa.

## Historical Exploration

Previous exploration on the Southwest Exploration Inc. parcel consisted of 9 drill holes in the potash completed by Arkla Exploration Company in the 1960's. This drilling confirmed the presence of the potash. The potash was intersected at depths from 280.4 to 321.6 metres (920 to 1055 feet). The potash horizon ranged in thickness from 1.2 to 1.5 metres (4 to 5 feet) and graded from 11.13% K<sub>2</sub>O to 14.74% K<sub>2</sub>O for those holes for which analytical results were obtained.

Previous exploration on the Twin Butte parcel consisted of 9 drill holes by Arkla Exploration Company in the 1960's. Two of the holes were in the northern part of the parcel, outside the known limits of the potash. Six of the remaining seven holes were concentrated in the southwest area of the ranch including four with assay results, which were 7.05% K<sub>2</sub>O to 14.50% K<sub>2</sub>O over 4 feet (1.2 metres). Arkla did not assay all of the holes as they relied on gamma ray logs to determine the presence of potassium, and hence potash in the drill holes. The gamma ray logs show that the potash horizon ranges in width from 4 to 10 feet (1.2 to 3.0 metres). The depth to the top of the potash horizon ranges from 990 to 1440 feet (301.8 to 438.9 metres).

## Present Exploration

Passport completed 4 rotary / diamond drill core holes between June 23 and July 17, 2009, totaling 4,207 feet or 1,282.3 metres. These holes were drilled within 500 feet (150 metres) of existing holes from the Arkla Exploration Company program to ensure the Passport hole would not encounter one of the whipstocks from each of the Arkla holes. These holes were completed on the Southwest Exploration parcel.

The potash horizon was intersected in all four holes with values ranging from 6.98% K<sub>2</sub>O over 1.1 metres in PP-DDD-03-09 to 14.64% K<sub>2</sub>O over 1.4 metres in PP-DDH-01-09. The potash grade in each of the four Passport holes and the four nearby Arkla holes is shown in the following table:

Passport	m from	m to	% K <sub>2</sub> O	Arkla	m from	m to	% K <sub>2</sub> O
PP-DDH-01-09	272.8	274.2	14.64	Arkla 99	281.6	282.9	14.00
PP-DDH-02-09	302.4	303.6	11.60	Arkla 14	309.2	310.4	11.05
PP-DDH-03-09	292.6	293.5	6.98	Arkla 32	296.0	297.2	14.59
PP-DDH-04-09	311.7	312.4	9.85	Arkla 59	312.9	314.1	12.15

The main interval in holes PP-DDH-01-09 and PP-DDH-02-09 showed relatively low magnesium content, suggesting the potash mineral is likely sylvinite as opposed to carnallite. The main interval in each of the holes also shows relatively low total insolubles suggesting minimal clay content. The magnesium and total insolubles are marginally higher in holes PP-DDH-03-09 and PP-DDH-04-09.

All holes were rotary drilled to the anhydrite that marks the top of the evaporite sequence. The remainder of the holes was cored through a point 50 to 100 feet below the suspected location of the potash horizon. The entire core horizon was sealed in plastic to prevent desiccation. Down hole geophysical surveying by electrical gamma rays (an industry standard) identified the potassium rich section of the hole. The potassium rich section, indicating the presence of potash was

continuously sampled in 6 inch or 12 inch sections and assayed by whole rock analyses to report the grade in % K<sub>2</sub>O. The whole rock analyses also gave values for various impurities, MgO and Si<sub>2</sub>O.

All sample processing was handled by ALS Chemex in Reno, Nevada. The analyses were completed at the ALS Chemex Laboratory in North Vancouver, British Columbia. ALS Chemex is an internationally renowned analytical laboratory with an ISO 9001:2000 accreditation. QA/QC protocols consisting of standards and blanks were inserted into the sample stream by ALS Chemex. The drilling program was supervised by Mr. Clive Bailey, CPG.

**On December 15, 2010**, the Company announced that it had completed the first drill hole of its 2010 drill program. This hole represented the first exploration for potash within the boundaries of the Twin Buttes Ranch in more than 45 years. The presence of potash was identified in this hole by both visual inspection and by downhole geophysical logging. No coring was done in this hole. Upon completion of the drilling and logging the hole was converted into a producing water well. Water is present in the well and will be used in the ongoing drill program at a considerable cost saving to the company. The company also set up a field office at the well site to serve as a base of operations for ongoing exploration.

The Company also announced that the 2010 drilling program would be followed by a planned comprehensive seismic survey over the company's Holbrook holdings in the first quarter of 2011. Upon completion this survey would allow the company to better define the thicknesses and distribution of the potash bed prior to the next stage of drilling.

Passport also announced that it was filing for permits for five drill sites on the Southwest Exploration Parcel and ten drill sites on the Twin Butte parcel. Passport plans to commence drilling upon closing of its current financing and receipt of the drilling permits.

**On July 6, 2010**, the Company announced that drill permit applications have been submitted to the Arizona oil and Gas Conservation Commission (AZOGCC) for eight holes on the Twin Buttes Ranch property, located in the potash bearing Holbrook Basin in northeastern Arizona. The proposed drill holes are located in the southeastern corner of the property. The postulated depth to the top of the potash horizon ranges from 990 to 1440 feet (301.8 to 438.9 metres). Total depth of these holes is expected to vary from 1300-1600 feet (396-487.8 metres). The company plans to commence drilling of these holes as soon as possible.

These proposed drill holes are in addition to previous applications to the Arizona State Land Department (ASLD) for 10 drill holes on ground optioned from Southwest Exploration Inc. and which were partially drill tested by Passport in 2009.

**On July 12, 2010**, the Company announced that it has received approval for the eight proposed drill holes on the Twin Buttes Ranch property located in the Holbrook Basin in northeastern Arizona. The proposed drill holes are located in the southeastern corner of the property. Approvals are still pending on the applications submitted to the ASLD for 10 holes that are located on Passport's state land holdings.

**On June 20, 2011**, the Company announced preliminary results from two core holes completed in 2011 that intersected potash at relatively shallow depths in the Holbrook evaporite basin. According to analytical results obtained from Skyline Laboratories in Tucson, Arizona, PPI2011-04 ("Core 1") intersected 9.5 feet (1463.0-1472.5 feet) of 12.29% KCL which includes a 4.0 foot (1465.5-1469.5 feet) interval containing 18.28% KCL. PPI2011-6 ("Core 2") intersected 7.5 feet (1437.5-1445.0 feet) of 11.93% KCL within which is included a 2.5 foot (1439.0-1441.5 feet) interval containing 24.34% KCL.

**On September 13, 2011** the Company announced that it had commenced drilling on its holdings on the east side of the Holbrook Basin. The company plans to drill a total of 9 holes in this area.

Passport also announced that it had completed 50 line miles of seismic work on its east side holdings bringing the total amount of seismic work completed to 100 line miles on all its holdings.

On September 12, 2011, Passport Potash released the results of five additional holes completed in 2011.

Potash mineralization was intersected in all of the holes that were completed. Each hole intersected potash at depths ranging from 1123.5 to 1590 feet deep. The best interval averaged 24.0% KCl over 4.5 feet in which is included a 0.5 foot section containing 41.1% KCl in hole PPI 2011-15.

- Hole PPI 2011-07—located near the western edge of the TBR, intersected 9.4% KCl over 6.5 feet beginning at 1320.5 feet. Within this interval is included 1.5 feet containing 17.0% KCl beginning at 1324.5 feet.
- Hole PPI 2011-15—is located on ground optioned from Southwest Exploration south of the park. It intersected two potash beds beginning at 1123.5 feet that are separated by a 2.0 foot section of material grading 4.4% KCl. The top bed is 4.5 feet thick and averages 24.0% KCl in which is included a 0.5 foot section containing 41.1% KCl; the lower bed begins at 1130 feet, is 3.0 feet thick and contains 18.0% KCl.
- Hole PPI 2011-19—is located in the southeast corner of the TBR. It intersected 14.5 feet of potash averaging 10.5% KCl beginning at 1427 feet. Contained within this interval is a higher grade zone averaging 24.7% KCl across 2.0 feet beginning at a depth of 1433 feet.
- Hole PPI 2011-20—is located on the eastern boundary of the TBR north of hole PPI 2011-19. It intersected 10.5 feet of potash averaging 8.1% KCl beginning at a depth of 1590 feet.
- Hole PPI 2011-21—is located near the northeast corner of the TBR. Potash, averaging 11.0% KCl, was intersected over an interval of 9.5 feet beginning at a depth of 1338.5 feet. Within this interval there are two one foot intervals from 1339-1340 and 1343-1344 that contain 17.6% KCl and 17.4% KCl respectively.

The potash beds are generally horizontal and therefore the intervals quoted for all of the drilling are believed to represent true thicknesses.

**On November 24, 2010**, Passport retained the services of SRK Consulting (“Stefan, Robertson, Kirsten”) to complete an independent National Instrument (“NI”) 43-101 technical report for the Holbrook Basin Potash Project in Navajo County, Arizona. In connection with the technical report, SRK plans to construct a 3-D geological model, develop a resource block model and estimate in-place resources according to CIM definitions. Passport plans to have the report completed during the first quarter of 2011. SRK will also be retained as an independent consultant for future 43-101 resource calculation purposes. In November, 2011, SRK completed a technical report on Passport’s holdings in the Holbrook Basin.

The report, prepared by SRK Consulting (US) Inc. (SRK), indicated that it is possible to assess the exploration potential for Passport’s lands, using only Passport’s verifiable drill data as an order of magnitude estimate. In that regard, SRK reported that:

- Passport’s drill hole data shows that evaporite layers containing potash range in thickness from 2.6 to 18.4 meters and range in grade from 3.2% to 9.4% K<sub>2</sub>O, with an average thickness of 6.4 meters and a weighted average grade of 5.3% K<sub>2</sub>O.
- The exploration potential for the total areal extent of Passport lands (554 sq. Km.) is estimated to range between 290 and 315 million metric tonnes of K<sub>2</sub>O using a grade of 2% K<sub>2</sub>O as a threshold of mineralization, which is equivalent to a range from 460 to 500 million metric tonnes of KCl.
- The exploration potential is not a resource estimate and Passport is not representing this or any other number as a resource estimate for the Holbrook property. The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. Additional exploration work is necessary and historical data would have to be verified to report a resource estimate.
- Further work toward a resource estimate, and to determine the potential for economic extraction, is justified.

The Company subsequently terminated its contract with SRK.

**On November 24, 2011** the Company announced that it had engaged ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau (ERCOSPLAN) to complete an initial resource estimate on its Holbrook property holdings. All drilling completed to date, as well as historical drilling, will be reviewed and the Company anticipates an initial resource estimate to be completed in Q1 of the calendar year of 2012. ERCOSPLAN will incorporate all new drill data and seismic work currently ongoing on Passport’s east side holdings in an updated resource estimate by Q2 of the calendar year of 2012.

## OPERATION AND FINANCIAL CONDITION

No expenses were deferred during the period under review and all expenses are disclosed in the financial statements. There were acquisitions of resource properties material to the issuer including material terms of any acquisition and are detailed in this MD&A. There were no acquisition or disposition of any other material capital assets. There were no material write-offs or write-downs of assets during the period.

The Company has a management agreement with Tarmac Management Ltd., whereby Tarmac provides certain management, accounting, administrative services and office rent. There were no material variances between the Company's financial statements as at November 30, 2011 and information disclosed by the issuer to the date of the audit report.

The Company is not involved in any legal proceedings.

The Company has no other obligation other than any disclosed in the financial statements.

The Company was not in breach of any corporate, securities or other contractual obligation, or of the Company's listing agreement with the TSX Venture Exchange.

### Results of operation

During the nine month period ended November 30, 2011, the company raised \$853,157 from issuing shares upon the exercise of options and warrants. Pursuant to the Company's mineral property agreements shares were issued with a fair value of \$648,000. The Company spent a total of \$4,785,911 cash on mineral interest expenses and acquisition. Administration expenses were \$4,279,651 (\$660,674 – 2011) including a non cash stock based compensation of \$2,669,260 (\$350,477 – 2011). There was a net decrease in cash of \$5,619,377 for the period.

### Discussion of operations

Net loss for the nine month period ended November 30, 2011 was \$4,248,084 compared to a net loss of \$660,674 for the same period in the prior year, reflecting a net overall increase in loss of \$3,618,977. The main reason for the increase in loss was the non-cash stock-based compensation of \$2,669,260. As the Company has no revenue, increases in losses indicate increased activity by the Company. Significant line item changes were as follows:

- Stock-based compensation increased by \$2,318,783 as a non-cash incentive to increase performance.
- Advertising and promotion increased by \$572,887.
- Consulting expenses increased to \$314,957 from \$86,130 for the same period in 2011, an increase of \$228,827.
- Travel and promotion increased by \$215,763 due to increased efforts by management.

### Summary of quarterly results

	November 30, 2011	August 31, 2011	May 31, 2011	February 28, 2011	November 30, 2010	August 31, 2010	May 31, 2010	February 28, 2010
	Note: 1	Note: 1	Note: 1	Note: 1	Note: 1	Note: 1	Note: 1	Note: 2
Total Revenue	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net (loss) before tax	(1,245,548)	(1,488,855)	(1,513,681)	(6,226,083)	(414,721)	(202,113)	(43,818)	(284,841)
Net income (loss) per share (Basic and Diluted)	(0.010)	(0.012)	(0.012)	(0.130)	(0.006)	(0.005)	(0.001)	(0.008)

Note: 1 Loss is reported under IFRS

Note: 2 Loss is reported under Canadian GAAP

### *Notice of change in accounting standards.*

The interim financial statements of the Company have been prepared for the last three quarters in accordance with International Financial Reporting Standards (“IFRS”). Going forward, the Company expects to prepare its financial statements in accordance with IFRS. Until year end February 28, 2011 and prior to that date, the Company prepared the financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). Accordingly, readers should realize that the information in the table above may not be strictly comparable, being based on two different sets of accounting standards.

### Discussion:

The Company has no revenues, therefore increased exploration activity and operations causes an increase in losses. Other losses can be caused by write-downs or write-offs of carrying value of impaired assets. The last three quarters and February 28, 2010 show increased losses mainly due to non-cash stock-based compensation issued.

The operating results of junior exploration companies are capable of demonstrating wide variations from period to period. Other than costs already discussed, management does not believe that meaningful information about the Company’s operations can be derived in more detail, from an analysis of quarterly fluctuations, as being presented herein.

### **Liquidity and capital resources**

At November 30, 2011 the Company had working capital of \$4,560,303 which management considers to be insufficient to continue operations for the coming year. Operations of the Company is funded primarily by the issue of share capital. The continued operation of the Company is dependent on its ability to receive continued financial support from related parties, issue sufficient public equity, or generate profitable operations in the future.

Current assets being \$4,988,221 consists of cash and cash equivalents of \$4,820,254 and the balance of \$167,967 being Receivables and prepaid expenses. Current liabilities being \$427,918 consists of trade payables of \$229,121, mineral property payable of \$140,000 and the balance of \$58,797 being accruals and due to related parties.

As of November 30, 2011 the Company had an accumulated deficit of \$27,673,598 (November 30 2010 - \$17,199,453). Subsequent to the quarter On January 11, 2012, the Company arranged a non-brokered private placement of 41,666,667 units at \$0.18 for gross proceeds of \$7,500,000. Each unit consists of one common share and one half share purchase warrant, with each whole share purchase warrant exercisable at \$0.20 for a period of one year.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Related Party Transactions**

For the period ended November 30, 2011, the Company incurred expenses of a total of \$130,000 (2010 - \$98,000) to a company controlled by an individual who is a consultant to the Company for management fees as well as \$2,500 to a director. For the period ended November 30, 2011, the Company incurred a further total of US\$68,000 in consulting fees to two directors for geological consulting and project administration work. The Company also paid US\$75,000 to a company controlled by a director for management fees. These expenses were charged to the Holbrook project as administration costs.

For more information please refer to note 11 of the Condensed un-audited Interim Financial Statements for the nine months period ended November 30, 2011.

### **Proposed Transaction**

- a) On August 25, 2011, the Company approved on their annual and special general meeting, the consolidation of the Common Shares, on the basis of up to every 10 pre-consolidation Common Shares into one Common Share, subject to regulatory approval.
- b) Subject to regulatory approval, the Company will be re-pricing the following options at \$0.20:
  - 5,777,000 options issued at \$1.20
  - 1,321,000 options issued at \$0.83

On January 18, 2012, the TSX Venture approved the reduction subject to shareholder approval at the next Annual General Meeting.

**List the names of the directors and officers as at the date this report is signed and filed.**

Joshua Bleak, President, C.E.O. and Director, Laara Shaffer, Chief Financial Officer and Director, Stephen B. Butrenchuk, Director, John Eckersley, Director, Ali Rahimtula (appointed November 14, 2011, David Salisbury, Chairman and Director (appointed January 17, 2012), and Dennis Ickes (appointed January 18, 2012), Director.

**DISCLOSURE CONTROLS AND PROCEDURES**

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures at November 30, 2011, and have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company is made known to them.

***Critical Accounting Estimates***

The Company does not make any critical accounting estimates other than the carrying value of deferred exploration expenditures and the estimated value of stock-based compensation.

***Changes in Internal Controls over Financial Reporting***

There were no changes in internal controls over financial reporting during the period.

**Financial Instruments**

***Fair value***

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet dates, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, mineral property payable, accounts payable and accrued liabilities on the consolidated balance sheets approximate fair value because of the limited term of these instruments.

***Foreign exchange risk***

The Company is not subject to foreign exchange risk.

***Commodity price risk***

The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of certain minerals.

***Risk Factors***

Passport Potash Inc. (formerly Passport Metals Inc.) (the "Company") is a development stage company and currently has interests in exploration and development properties in British Columbia. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. The Company's exploration assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these



procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## **Changes in accounting policies.**

### **Transition to IFRS**

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", March 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

### ***Exemptions applied***

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to March 1, 2010, which has been accounted for in accordance with Canadian GAAP.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of February 1, 2010 are consistent with its GAAP estimates for the same date.

### ***Reconciliation of Canadian GAAP to IFRS***

The adoption of IFRS had no impact on the equity as at November 30, 2010 and the comprehensive loss for the three and nine months ended November 30, 2010 that were previously reported in accordance with Canadian GAAP.

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS principles and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility. Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors. This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

The external auditors, Dale Matheson Carr-Hilton LaBonte LLP appointed by the shareholders at the Annual General Meeting have audited the Company's annual financial statements with their report indicating the scope of their audit and their opinion on the financial statements. The unaudited Condensed Interim Financial statements have been prepared by and are the responsibility of management.

**On March 1, 2011,** Passport Potash began trading today on the OTC market's tier, OTCQX International. Investors can find current financial disclosure and real-time Level 2 quotes for the company on the OTCQX and OTC. Merriman Capital Inc. will serve as Passport Potash's principal American liaison on OTCQX, responsible for providing guidance on OTCQX requirements.

**On March 3, 2011,** Passport Potash Inc. appointed James Davidson as a director and non-executive chairman of Passport Potash.

**On March 4, 2011,** Passport Potash Inc. retained the services of P.J.K. & Associates Inc. of Vancouver, B.C., to support its investor relations activities. The term of the contract is one year. In consideration of its services, Passport has agreed to pay P.J.K. a fee of \$5,000 per month and grant 300,000 options. The foregoing is subject to regulatory approval. The company also has retained the Florida-based firm of National Media Associates (NMA) to conduct media awareness and investor relations programs on behalf of the company. NMA is a long-term media relations specialist in the natural resource exploration and development sector. The original terms of the contract called for a monthly fee of \$7,500 which was suspended as of June 1, 2011. Passport Potash granted 400,000 incentive stock options to principals of NMA.

**On March 11, 2011,** Passport Potash Inc. appointed Dennis Ickes as an adviser to the company. Mr. Ickes is an internationally known lawyer, legal scholar, trial attorney and business leader. Mr. Ickes advises and assists private enterprise and Indian tribes in converging unique tribal capabilities with private capital and technical expertise to create new sources of revenue for tribes and investment opportunities for private capital.

**On March 11, 2011,** Passport Potash Inc. granted 1,321,500 options to its directors, officers and consultants at \$0.83 per share for a period of five years.

**On March 14, 2011,** Passport Potash Inc. has finalized a co-operative agreement with the Hopi tribe. Portions of Passport's Holbrook basin potash project are adjacent to land privately owned by the Hopi tribe (not reservation land). The agreement sets up a co-operative arrangement between Passport and the Hopi tribe, giving Passport access across the privately owned Hopi lands to conduct exploration activities, while allowing the tribe to share in Passport's study results.

**On March 29, 2011,** Passport Potash Inc. has entered into an option agreement with Ringbolt Ventures Ltd. allowing Passport to acquire a 100-per-cent interest in Ringbolt's Holbrook basin potash property in Arizona and to conduct a \$2.25-million (U.S.) exploration program on the optioned property.

Ringbolt's property consists of 15,994.32 acres of mineral exploration permits on land managed by the Arizona State Land Department. The property overlies a portion of what appears to be the thickest part of the deposits in the Holbrook basin.

The option agreement has the potential to expand Passport's foothold to include land in the eastern portions of the Holbrook basin, increasing Passport's landholdings to more than 86,000 acres, or 134 square miles. This comprises 22 per cent of the estimated 600 square miles of potash deposits in the Holbrook basin. This percentage increases if the portion of the potash deposits underlying the Petrified Forest National Park is excluded.

The option agreement allows Passport to exercise the option to earn a 90-per-cent interest in the property by making cash payments in the total of \$1.0-million (U.S.) over a three-year period, incurring a total of \$2.25-million (U.S.) in work expenditures on the property over three years and issuing four million common shares to the optionors over a three-year period. Upon fulfilling the terms of the option, Passport has the right to purchase the remaining 10-per-cent interest for \$5.0-million (U.S.). The optionors are entitled to a 1-per-cent gross overriding royalty on the production from the property. The option agreement is subject to the approval of the exchange.

**On April 1, 2011** Passport Potash Inc. expanded its Holbrook basin, Arizona, exploration program in connection with the option agreement entered into with Ringbolt Ventures Ltd. The option agreement will allow Passport to acquire a 100-per-cent interest in 15,994.32 acres of Ringbolt's mineral exploration permits and to conduct a \$2.25-million (U.S.) exploration program on the optioned property.

Preliminary assessment of Passport's work plan indicates that the expanded exploration program could include 10 new drill holes and a 25-line-mile seismic survey on the optioned property. This new exploration program would increase Passport's total drill holes to more than 30, with plus 75 line miles of seismic survey.

**On May 17, 2011**, TSX Venture Exchange accepted for filing documentation pertaining to an option agreement dated March 28, 2011, between Passport Potash Inc. and Ringbolt Ventures Ltd., Potash Green, LLC, Wendy Walker Tibbetts and Joseph J. Hansen, whereby the company has the right to acquire up to a 100-per-cent interest in the vendor's Holbrook basin property. The property consists of 15,994.32 acres of mineral exploration permits on land managed by the Arizona State Land Department.

All of the following payments divided and paid to each of the parties comprising the vendor will be completed based on the following percentages: Ringbolt Ventures Ltd. -- 70 per cent; Ms. Walker Tibbetts -- 20 per cent; and Mr. Hansen -- 10 per cent. Under the terms of the option agreement, total consideration for an initial 90-per-cent interest in the property is as shown in the table (all figures are in U.S. dollars, unless otherwise stated).

All of the following payments divided and paid to each of the parties making up the vendor group will be completed based on the following percentages: Ringbolt Ventures, 70 per cent; Wendy Walker Tibbetts, 20 per cent; Joseph J. Hansen, 10 per cent. Under the terms of the option agreement, total consideration for an initial 90-per cent.

**On May 4, 2011** Passport Potash Inc. has provided an update on its exploration program on Passport's landholdings in the Holbrook basin. Passport's rotary drill program is proceeding. Eight rotary holes have been drilled to date on the Twin Buttes Ranch, and drilling has commenced on the state lease lands which lie to the south. Downhole geophysical and assay data have been gathered and are being used to help expedite the drilling process. The stratigraphic and geophysical data obtained from the rotary drill holes, together with Zonge International's recently completed 50-line-mile seismic survey, have provided a broad understanding of the Holbrook basin potash deposits, and will continue to provide key information in determining targets for diamond core drilling.

Boart Longyear has mobilized a diamond core drill rig. Four core holes have been completed to date, and core samples have been sent to Skyline Laboratories in Tucson, Ariz., for analysis to determine thickness and grade. Those results are anticipated in approximately three to four weeks.

**May 4, 2011** Passport Potash, Inc. has continued its corporate jurisdiction from the province of Quebec to the province of British Columbia effective April 26, 2011. Quebec's new Business Corporations Act came into effect February 14, 2011, which allowed continuance from the province of Quebec to other jurisdictions. The shareholders had approved the directors effecting a continuance of the company from Quebec to British Columbia as soon as the new Quebec Business Corporations Act came into effect.

**On June 9, 2011**, the Company announced that it had completed the initial phase of drilling on the company's Twin Buttes landholdings in the Holbrook basin. Since 2009, the company has completed 19 holes, including eight rotary holes and 11 core holes. Passport is currently drilling on its southern block of landholdings and has been permitted to drill on its east side holdings. When the current exploration program is complete, the total number of holes drilled by Passport will be 34.

Core samples from seven holes have been sent to Skyline Laboratories in Tucson, Ariz., for analysis to determine thickness and grade. Results from the first set of holes are expected to be released next week.

Passport has decided to include all historical holes drilled as well as seismic data, along with the holes drilled by the company to date in the initial National Instrument 43-101 report being prepared by SRK. This report is now expected to be complete in the summer of 2011; it will be followed up by an updated NI 43-101 report to include all 34 holes as well as an additional seismic survey on the east side of the basin. This updated report is expected to be complete in the fall of 2011.

Passport is also pleased to announce that it intends to proceed with an exploration program on its lands held under an option agreement with Ringbolt Ventures. Ringbolt's property consists of 15,995 acres of mineral exploration permits on land managed by the Arizona State Land Department (ALSD) on the east side of the Holbrook basin. It will be Passport's

first exploration conducted on the east side of the Holbrook basin. Exploration plans have been approved and drill hole sites have been re-permitted with the ASLD for a total of nine holes.

**On June 15, 2011**, Passport Potash Inc. engaged Upstream Consulting Inc. to assist with key governmental relations and co-ordination between Passport Potash, federal, state and local policy-makers effective June 13, 2011. Upstream Consulting is led by Matthew J. Salmon and has an experienced team of seasoned Washington government relations professionals who bring widely diverse backgrounds, relationships with decision makers in the government, and the communications skills needed to support the continuing development of Passport Potash's Holbrook basin project. Upstream Consulting focuses on the development of intelligent, strategic and highly effective messaging channels to assure that key decision makers in the government understand the needs of their clients. In addition, the broad international experience of the Upstream Consulting team provides unique access for clients to the substantial expertise needed in navigating the global policy arena.

**On November 24, 2011** the Company announced that it had engaged ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau (ERCOSPLAN) to complete its initial resource estimate on its Holbrook property holdings. All drilling completed to date, as well as historical drilling, will be reviewed and the Company anticipates an initial resource estimate to be completed in Q1 2012. Subsequently, ERCOSPLAN will incorporate all new drill data and seismic work currently ongoing on Passport's east side holdings in an updated resource estimate by Q2 2012.

### **Disclosure of Outstanding Share Data**

As at January 23, 2012, the Company had the following number of securities outstanding:

Common shares	169,323,707
Stock options (vested and unvested)	16,812,292
Warrants	50,800,333
Fully diluted shares outstanding	236,936,332

### **SUBSEQUENT EVENTS**

**On December 16, 2011**, the Company announced that it had arranged a fully subscribed non-brokered private placement of \$6,975,000.00 which consists of 46,500,000 units at \$0.15 cents, each unit consisting of one common share and one half warrant exercisable at \$0.20 cents for a period of one year. The proceeds are to be used for general working capital and the current exploration program. The TSX Venture accepted for filing the private placement at an amended price of \$0.18. The shares have been issued and have a hold period to May 20, 2012

**December 16, 2011**, the Company further announced that it will be requesting a re-pricing for 5,777,000 options that were issued at \$1.20 and 1,321,000 options that were issued at \$0.83 cents. The options will be re-priced at \$0.20 cents. On January 18, 2012, the TSX Venture approved the reduction subject to shareholder approval at the next Annual General Meeting

**On January 20, 2012**, the Company granted 4,166,642 incentive stock options to directors, officers, consultants and employees of the Company. The options are exercisable at \$0.38 and will expire on January 19, 2017.

### **ADDITIONAL INFORMATION**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR ([www.SEDAR.com](http://www.SEDAR.com)). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Stephen Butrenchuk, P. Geol. is the Qualified Person as defined in National Instrument 43-101, who has reviewed and approved the technical content of this document.