POTASH CORP OF SASKATCHEWAN INC
Form 10-Q
November 05, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2008

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-10351

POTASH CORPORATION OF SASKATCHEWAN INC.
(Exact name of registrant as specified in its charter)

Canada *(State or other jurisdiction of incorporation or organization)*	**N/A** *(I.R.S. Employer Identification No.)*
122 1st Avenue South **Saskatoon, Saskatchewan, Canada** *(Address of principal executive offices)*	**S7K 7G3** *(Zip Code)*

306-933-8500
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

YES o NO þ

As at October 31, 2008, Potash Corporation of Saskatchewan Inc. had 301,730,631 Common Shares outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. ***FINANCIAL STATEMENTS***

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Financial Position
(in millions of US dollars except share amounts)
(unaudited)

	September 30, 2008	**December 31, 2007**
Assets		
Current assets		
Cash and cash equivalents	**$ 499.5**	$ 719.5
Accounts receivable	**1,373.0**	596.2
Inventories (Note 2)	**743.9**	428.1
Prepaid expenses and other current assets	**68.8**	36.7
Current portion of derivative instrument assets	**5.0**	30.8
	2,690.2	1,811.3
Derivative instrument assets	**50.3**	104.2
Property, plant and equipment	**4,429.8**	3,887.4
Investments (Note 3)	**3,670.8**	3,581.5
Other assets	**267.2**	210.7
Intangible assets	**22.2**	24.5
Goodwill	**97.0**	97.0
	$ 11,227.5	$ 9,716.6
Liabilities		
Current liabilities		
Short-term debt	**$ 1,676.3**	$ 90.0
Accounts payable and accrued charges	**1,468.3**	911.7
Current portion of long-term debt	**0.2**	0.2
	3,144.8	1,001.9
Long-term debt	**1,339.4**	1,339.4
Future income tax liability	**1,020.7**	988.1
Accrued pension and other post-retirement benefits	**255.2**	244.8

Accrued environmental costs and asset retirement obligations		**124.2**		121.0
Other non-current liabilities and deferred credits		**26.6**		2.7
		5,910.9		3,697.9
Contingencies and Guarantees (Notes 15 and 16, respectively)				
Shareholders Equity				
Share capital (Note 5)		**1,429.0**		1,461.3
Unlimited authorization of common shares without par value; issued and outstanding 301,850,331 and 316,411,209 at September 30, 2008 and December 31, 2007, respectively				
Unlimited authorization of first preferred shares; none outstanding				
Contributed surplus		**122.6**		98.9
Accumulated other comprehensive income		**1,699.8**		2,178.9
Retained earnings		**2,065.2**		2,279.6
		5,316.6		6,018.7
	$	**11,227.5**	$	9,716.6

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Operations and Retained Earnings
(in millions of US dollars except per-share amounts)
(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	**2007**	**2008**	**2007**
Sales (Note 9)	**$ 3,064.3**	$ 1,295.0	**$ 7,575.9**	$ 3,802.8
Less: Freight	**81.4**	80.6	**287.2**	254.8
Transportation and distribution	**31.6**	31.0	**97.2**	94.6
Cost of goods sold	**1,210.3**	708.3	**3,157.2**	2,107.2
Gross Margin	**1,741.0**	475.1	**4,034.3**	1,346.2
Selling and administrative	**31.7**	43.9	**158.6**	158.0
Provincial mining and other taxes	**172.0**	28.2	**434.4**	95.3
Foreign exchange (gain) loss	**(37.4)**	25.9	**(63.2)**	67.4
Other income (Note 12)	**(140.0)**	(29.1)	**(255.2)**	(111.3)
	26.3	68.9	**274.6**	209.4
Operating Income	**1,714.7**	406.2	**3,759.7**	1,136.8
Interest Expense (Note 13)	**15.3**	12.7	**42.2**	59.0
Income Before Income Taxes	**1,699.4**	393.5	**3,717.5**	1,077.8
Income Taxes (Note 7)	**463.3**	150.4	**1,010.3**	351.0
Net Income	**$ 1,236.1**	$ 243.1	**2,707.2**	726.8
Retained Earnings, Beginning of Period			**2,279.6**	1,286.4
Repurchase of Common Shares (Note 5)			**(2,829.1)**	-
Change in Accounting Policy			**-**	0.2
Dividends			**(92.5)**	(79.0)
Retained Earnings, End of Period			**$ 2,065.2**	$ 1,934.4

Net Income Per Share (Note 8)								
Basic	**$**	**4.07**	$	0.77	**$**	**8.73**	$	2.30
Diluted	**$**	**3.93**	$	0.75	**$**	**8.45**	$	2.25
Dividends Per Share	**$**	**0.10**	$	0.10	**$**	**0.30**	$	0.25

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Cash Flow
(in millions of US dollars)
(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	**2007**	**2008**	**2007**
Operating Activities				
Net income	**$ 1,236.1**	$ 243.1	**$ 2,707.2**	$ 726.8
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	**83.3**	69.5	**247.1**	216.3
Stock-based compensation	**4.2**	4.2	**32.1**	34.7
(Gain) loss on disposal of property, plant and equipment and long-term investments	**(21.5)**	0.2	**(28.3)**	5.6
Provision for auction rate securities	**27.5**	-	**71.3**	-
Foreign exchange on future income tax	**(14.6)**	21.4	**(23.9)**	47.5
Provision for future income tax	**48.7**	52.6	**75.5**	119.8
Undistributed earnings of equity investees	**(109.3)**	(15.7)	**(133.8)**	(17.6)
Loss (gain) on derivative instruments	**0.6**	(13.0)	**(18.4)**	(18.4)
Other long-term liabilities	**(4.3)**	(25.6)	**2.8**	(21.3)
Subtotal of adjustments	**14.6**	93.6	**224.4**	366.6
Changes in non-cash operating working capital				
Accounts receivable	**(281.9)**	(100.2)	**(776.8)**	(139.9)
Inventories	**(131.2)**	35.5	**(360.5)**	51.6
Prepaid expenses and other current assets	**(10.7)**	0.8	**(34.1)**	1.3
Accounts payable and accrued charges	**86.1**	38.8	**489.7**	150.9
Subtotal of changes in non-cash operating working capital	**(337.7)**	(25.1)	**(681.7)**	63.9
Cash provided by operating activities	**913.0**	311.6	**2,249.9**	1,157.3
Investing Activities				
Additions to property, plant and equipment	**(336.2)**	(145.1)	**(770.6)**	(381.6)
Purchase of long-term investments	**(78.3)**	(21.0)	**(329.5)**	(30.7)

Purchase of auction rate securities	**-**	(132.5)	**-**	(132.5)
Proceeds from disposal of property, plant and equipment and long-term investments	**31.3**	2.9	**40.9**	4.2
Other assets and intangible assets	**(11.7)**	(0.9)	**(33.1)**	9.8
Cash used in investing activities	**(394.9)**	(296.6)	**(1,092.3)**	(530.8)
Cash before financing activities	**518.1**	15.0	**1,157.6**	626.5
Financing Activities				
Repayment and issue costs of long-term debt obligations	**-**	-	**(0.2)**	(403.6)
Proceeds from (repayment of) short-term debt obligations	**743.9**	5.5	**1,586.3**	(65.8)
Dividends	**(29.8)**	(31.3)	**(92.3)**	(62.6)
Repurchase of common shares	**(1,005.8)**	-	**(2,902.9)**	-
Issuance of common shares	**3.2**	3.6	**31.5**	22.3
Cash used in financing activities	**(288.5)**	(22.2)	**(1,377.6)**	(509.7)
Increase (Decrease) in Cash and Cash Equivalents	**229.6**	(7.2)	**(220.0)**	116.8
Cash and Cash Equivalents, Beginning of Period	**269.9**	449.7	**719.5**	325.7
Cash and Cash Equivalents, End of Period	**$ 499.5**	$ 442.5	**$ 499.5**	$ 442.5
Cash and cash equivalents comprised of:				
Cash	**$ 62.5**	$ 11.3	**$ 62.5**	$ 11.3
Short-term investments	**437.0**	431.2	**437.0**	431.2
	$ 499.5	$ 442.5	**$ 499.5**	$ 442.5
Supplemental cash flow disclosure				
Interest paid	**$ 14.3**	$ 15.7	**$ 51.4**	$ 71.5
Income taxes paid	**$ 210.1**	$ 59.1	**$ 595.7**	$ 128.2

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statements of Comprehensive (Loss) Income
(in millions of US dollars)
(unaudited)

	Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	Before Income Taxes	Income Taxes	Net of Income Taxes	Before Income Taxes	Income Taxes	Net of Income Taxes
Net income	**$ 1,699.4**	**$ 463.3**	**$ 1,236.1**	**$ 3,717.5**	**$ 1,010.3**	**$ 2,707.2**
Other comprehensive income						
Net decrease in unrealized gains on available-for-sale securities(1)	(1,501.0)	(129.2)	(1,371.8)	(345.2)	57.0	(402.2)
Net losses on derivatives designated as cash flow hedges(2)	(364.7)	(105.8)	(258.9)	(84.8)	(24.6)	(60.2)
Reclassification to income of net gains on cash flow hedges(2)	(0.3)	(0.1)	(0.2)	(20.3)	(5.9)	(14.4)
Unrealized foreign exchange losses on translation of self-sustaining foreign operations	(7.2)	-	(7.2)	(2.3)	-	(2.3)
Other comprehensive loss	**(1,873.2)**	**(235.1)**	**(1,638.1)**	**(452.6)**	**26.5**	**(479.1)**
Comprehensive (loss) income	**$ (173.8)**	**$ 228.2**	**$ (402.0)**	**$ 3,264.9**	**$ 1,036.8**	**$ 2,228.1**

	Three Months Ended September 30, 2007			Nine Months Ended September 30, 2007		
	Before Income Taxes	Income Taxes	Net of Income Taxes	Before Income Taxes	Income Taxes	Net of Income Taxes
Net income	**$ 393.5**	**$ 150.4**	**$ 243.1**	**$ 1,077.8**	**$ 351.0**	**$ 726.8**
Other comprehensive income						

Net increase in unrealized gains on available-for-sale securities[1]	281.5	23.4	258.1	844.7	57.4	787.3
Net (losses) gains on derivatives designated as cash flow hedges[2]	(17.0)	(4.7)	(12.3)	13.9	4.6	9.3
Reclassification to income of net gains on cash flow hedges[2]	(8.5)	(3.7)	(4.8)	(39.8)	(13.1)	(26.7)
Unrealized foreign exchange gains on translation of self-sustaining foreign operations	1.0	-	1.0	5.9	-	5.9
Other comprehensive income	**257.0**	**15.0**	**242.0**	**824.7**	**48.9**	**775.8**
Comprehensive income	**$ 650.5**	**$ 165.4**	**$ 485.1**	**$ 1,902.5**	**$ 399.9**	**$ 1,502.6**

[1] Available-for-sale securities are comprised of shares in Israel Chemicals Ltd. and Sinofert Holdings Limited and investments in auction rate securities.

[2] Cash flow hedges are comprised of natural gas derivative instruments.

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Condensed Consolidated Statement of Accumulated Other Comprehensive Income
(in millions of US dollars)
(unaudited)

(Net of related income taxes)	Net unrealized gains (losses) on available-for-sale securities	Net unrealized gains (losses) on derivatives designated as cash flow hedges	Unrealized foreign exchange gains (losses) on self-sustaining foreign operations	Total
Accumulated other comprehensive income, December 31, 2007	$ 2,098.7	$ 73.5	$ 6.7	$ 2,178.9
Decrease for the nine months ended September 30, 2008	(402.2)	(74.6)	(2.3)	(479.1)
Accumulated other comprehensive income (loss), September 30, 2008	**$ 1,696.5**	**$ (1.1)**	**$ 4.4**	**1,699.8**
Retained Earnings, September 30, 2008				2,065.2
Accumulated other comprehensive income and retained earnings, September 30, 2008				**$ 3,765.0**

(See Notes to the Condensed Consolidated Financial Statements)

Potash Corporation of Saskatchewan Inc.

Notes to the Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2008
(in millions of US dollars except share, per-share, percentage and ratio amounts)
(unaudited)

1. Significant Accounting Policies

Basis of Presentation

With its subsidiaries, Potash Corporation of Saskatchewan Inc. (PCS) together known as PotashCorp or the company except to the extent the context otherwise requires forms an integrated fertilizer and related industrial and feed products company. The company s accounting policies are in accordance with accounting principles generally accepted in Canada (Canadian GAAP). These policies are consistent with accounting principles generally accepted in the United States (US GAAP) in all material respects except as outlined in Note 17. The accounting policies used in preparing these interim condensed consolidated financial statements are consistent with those used in the preparation of the 2007 annual consolidated financial statements, except as described below.

These interim condensed consolidated financial statements include the accounts of PCS and its subsidiaries; however, they do not include all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the 2007 annual consolidated financial statements. In management s opinion, the unaudited financial statements include all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

Change in Accounting Policy

Inventories

In June 2007, the Canadian Institute of Chartered Accountants (CICA) issued Section 3031, Inventories , which replaces Section 3030 and harmonizes the Canadian standard related to inventories with International Financial Reporting Standards (IFRSs). This standard provides more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; restricts the classification of spare and replacement parts as inventory; requires impairment testing; and expands the disclosure requirements to increase transparency. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. This standard has been applied prospectively; accordingly comparative amounts for prior periods have not been restated. The adoption of this standard resulted in a reclassification of certain spare and replacement parts to property, plant and equipment. The effects of the adjustment were to decrease inventory by $21.5 at January 1, 2008, and to increase property, plant and equipment by the same amount. Since there was no difference in the measurement of the assets, no adjustment to opening retained earnings was necessary.

Recent Accounting Pronouncements

Capital Disclosures

Effective January 1, 2008, the company adopted CICA Section 1535, Capital Disclosures . This pronouncement increases harmonization with IFRSs by establishing standards for disclosing information about an entity s capital and capital management. The company s adoption of Section 1535 has resulted in the capital management disclosure set forth in Note 6.

Financial Instruments

Effective January 1, 2008, the company adopted CICA Section 3863, Financial Instruments Presentation and CICA Section 3862, Financial Instruments Disclosures , which increases harmonization with IFRSs. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities are offset. Section 3862 provides expanded disclosure requirements that call for additional detail by financial asset and liability categories. The applicable disclosures required under these standards are included in Note 4.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets , which replaces Section 3062, Goodwill and Other Intangible Assets , and Section 3450, Research and Development Costs . The purpose of this section is to provide more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as expenditures for intangible assets. The section increases harmonization of Canadian standards with IFRSs and applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008.

Also in February 2008, the CICA amended portions of Section 1000, Financial Statement Concepts , which the CICA concluded permitted deferral of costs that did not meet the definition of an asset. The amendments apply to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008.

Upon the company s adoption of Section 3064 and the amendments to Section 1000 on January 1, 2009, capitalized amounts that no longer meet the definition of an asset will be expensed retrospectively. The company is currently reviewing the potential impact, if any, on its consolidated statements.

International Financial Reporting Standards

In April 2008, the CICA published the exposure draft Adopting IFRSs in Canada . The exposure draft proposes to incorporate IFRSs into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRSs. The company is currently reviewing the standards to determine the potential impact on its consolidated financial statements.

2. Inventories

	September 30, 2008[1]	**December 31, 2007**
Finished products	**$ 448.0**	$ 186.6
Intermediate products	**107.7**	70.7
Raw materials	**81.9**	68.0
Materials and supplies	**106.3**	102.8
	$ 743.9	$ 428.1

(1) See change in accounting policy (Note 1).

During the three months ended September 30, 2008, inventories of $1,158.6 (2007 $681.9) were expensed and write-downs of inventory amounting to $1.0 (2007 $1.8) were included in cost of goods sold. During the nine months ended September 30, 2008, inventories of $3,057.8 (2007 $2,056.1) were expensed and write-downs of inventory amounting to $2.6 (2007 $4.1) were included in cost of goods sold. No reversals of write-downs were recorded during the three and nine months ended September 30, 2008 or 2007.

3. Investments

In January 2008, the company settled its forward purchase contract, which was denominated in Hong Kong dollars, to acquire an additional 194,290,175 shares of Sinofert Holdings Limited (Sinofert) for cash consideration of $173.7. A tax-exempt gain of $25.3 was recognized during 2008 as a result of the change in fair value of the contract from December 31, 2007 to the settlement date. During the nine months ended September 30, 2008, the company purchased an additional 191,620,000 shares of Sinofert for cash consideration of $145.3. Net of the ownership interest dilution that resulted from the issuance of shares of Sinofert, the acquisitions increased the company s ownership interest in Sinofert to approximately 22 percent.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, the company considers the length of time and extent to which fair value has been below cost as well as the financial condition and near-term prospects of the investee as indicators that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of operations, is removed from accumulated other comprehensive income and recognized in the statement of operations.

Investments include auction rate securities that are classified as available-for-sale. The company has determined that the fair value of the auction rate securities was $34.7 at September 30, 2008 (face value $132.5) as compared to $56.0 at December 31, 2007.

The changes in fair value, status of impaired investments and related accounting since December 31, 2007 were as follows:

	Fair Value	# Investments Considered Other-Than-Temporarily Impaired (of 6 Total)	Impacts of Impairments Recorded in AOCI and OCI	Impacts of Impairments Recorded in Retained Earnings and Net Income
Balance, December 31, 2007	$ 56.0	2	$ 50.0	$ 26.5
Add: Recoveries in value of investments considered temporarily impaired at beginning of period	0.2		(0.2)	-
Less: Reductions in value of investments considered temporarily impaired at beginning of period	(1.5)		1.5	-
Less: Reductions in value of investments considered other-than-temporarily impaired at beginning of period	(11.6)		-	11.6
Transfer of investment impairments at end of period from temporarily impaired to other-than-temporarily impaired	-	2	(31.5)	31.5
Balance, March 31, 2008	43.1	4	19.8	69.6

Add: Recoveries in value of investments considered temporarily impaired	1.0		(1.0)	-
Add: Recoveries in value of investments considered other-than-temporarily impaired	3.5		(3.5)	-
Less: Reductions in value of investments considered other-than-temporarily impaired	(0.7)		-	0.7
Balance, June 30, 2008	46.9	4	15.3	70.3
Less: Reductions in value of investments considered temporarily impaired at beginning of period	(7.1)		7.1	-
Less: Reductions in value of investments considered other-than-temporarily impaired at beginning of period	(5.1)		-	5.1
Transfer of investment impairments at end of period from temporarily impaired to other-than-temporarily impaired	-	2	(22.4)	22.4
Balance, September 30, 2008	$ 34.7	6	-	$ 97.8

Interest income of $1.1 and $3.6 relating to auction rate securities was included in interest expense for the three and nine month periods ending September 30, 2008, respectively. The current financial credit market crisis continues to cause the company s investments in these securities to be illiquid. The company is able to hold these investments until liquidity improves, but does not expect this to occur in the next 12 months.

The fair value of the auction rate securities was determined using a valuation methodology developed with the assistance of a valuation specialist. Due to the failed auction status and lack of liquidity in the market for such securities, the valuation methodology includes certain assumptions that were not supported by prices from observable current market transactions in the same instruments nor were they based on observable market data. With the assistance of a valuation specialist, the company estimated the fair value of the auction rate securities based on the following: (1) the underlying structure of each security; (2) the present value of future principal and interest payments discounted at rates considered to reflect current market conditions; (3) consideration of the probabilities of default, passing auction, or earning the maximum rate for each period; and (4) estimates of the recovery rates in the event of defaults for each security. These estimated fair values could change significantly based on future market conditions.

4. Financial Instruments and Related Risk Management

The company is exposed in varying degrees to a variety of financial risks from its use of financial instruments: credit risk, liquidity risk and market risk. The source of risk exposure and how each is managed is outlined below.

Credit Risk

The company is exposed to credit risk on its cash and cash equivalents, accounts receivable, derivative instrument assets and auction rate securities. The maximum exposure to credit risk, as represented by the carrying amount of the financial assets, was:

		September 30, 2008
Cash and cash equivalents	$	499.5
Accounts receivable		1,373.0
Derivative instrument assets		55.3
Available-for-sale investments		
Auction rate securities		34.7

The company manages its credit risk on cash and cash equivalents, derivative instrument assets and auction rate securities through policies guiding:

Acceptable minimum counterparty credit ratings relating to the natural gas and foreign currency derivative instrument assets, and cash and cash equivalents

Daily counterparty settlement on natural gas derivative instruments based on prescribed credit thresholds

Exposure thresholds by counterparty on cash and cash equivalents

Derivative instrument assets are comprised of natural gas hedging instruments. At September 30, 2008, the company held no cash margin deposits as collateral relating to these natural gas derivative financial instruments. All of the counterparties to the contracts comprising the derivative financial instruments in an asset position are of investment grade quality.

Accounts receivable is comprised of both trade and non-trade accounts. Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less allowance for doubtful accounts. An allowance for doubtful accounts is established when there is a reasonable expectation that the company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the trade accounts receivable is reduced through the use of the allowance account, and the amount of any increase in the allowance is recognized in the statement of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of operations.

The company seeks to manage the credit risk relating to its trade receivables through a credit management program. Credit approval policies and procedures are in place guiding the granting of credit to new customers as well as the continued extension of credit for existing customers. Existing customer accounts are reviewed every 12-18 months. Credit for international customers is extended based upon an evaluation of both customer and country risk. The company utilizes both external credit reporting, where available, as well as an assessment of other relevant information such as current financial statements, credit agency reports and/or credit references before assigning credit limits to customers. Customers that fail to meet specified benchmark creditworthiness may transact with the company on a prepayment basis.

The company does not hold any collateral as security. If appropriate, the company may request guarantees or standby letters of credit to mitigate credit risk on trade receivables.

The credit period on sales is generally 15 days for fertilizer customers, 30 days for industrial and feed customers and up to 180 days for selected export sales customers. Interest at 1.5 percent per month is charged on balances remaining unpaid at the end of the sale terms. The company has historically experienced minimal customer defaults and as a result the company considers the credit quality of the trade receivables at September 30, 2008 that were not past due to be high. The company had virtually no impaired accounts receivable. The aging of trade receivables that were past due but not impaired was as follows:

	September 30, 2008	**December 31, 2007**
1-15 days	**$ 45.0**	$ 36.7
16-30 days	**4.3**	4.1
31-60 days	**2.4**	0.9
Greater than 60 days	**-**	2.6
	$ 51.7	$ 44.3

A reconciliation of the accounts receivable allowance for doubtful accounts is as follows:

	As At and For the Nine Months Ended September 30, 2008	**As At and For the Year Ended December 31, 2007**
Balance beginning of period	**$ 5.9**	$ 4.7
Provision for receivables impairment	**2.7**	1.9
Receivables written off during the period as uncollectible	**(2.5)**	(0.7)
Balance end of period	**$ 6.1**	$ 5.9

Of total accounts receivable at September 30, 2008, $148.7 related to non-trade accounts and $427.4 represented amounts receivable from Canpotex Limited (Canpotex). The company sells potash from its Saskatchewan mines for use outside North America exclusively to Canpotex. Sales to Canpotex are at prevailing market prices and are settled on normal trade terms. There were no amounts past due or impaired relating to the Canpotex or non-trade accounts receivable.

Liquidity Risk

Liquidity risk arises from the company s general funding needs and in the management of the company s assets, liabilities and optimal capital structure. The company manages its liquidity risk to maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations in a cost-effective manner. In managing its liquidity risk, the company has access to a range of funding options. The table below outlines the company s available debt instruments:

	September 30, 2008			
	Total Amount	**Amount Outstanding**	**Amount Committed**	**Amount Available**
Syndicated credit facilities	$ 1,750.0	$ 1,100.0	$ 576.5(1)	$ 73.5
Line of credit	75.0	-	23.2	51.8
Commercial paper	750.0	576.5(1)	100.0(2)	73.5(2)
US shelf registrations	4,000.0	1,350.0	-	2,250.0(3)

(1) Per the terms of the agreements, the commercial paper outstanding or committed, as applicable, is based on the US dollar balance or equivalent thereof in lawful money of other currencies at the time of issue; therefore, subsequent changes in the exchange rate applicable to Canadian dollar denominated commercial paper have no impact on this balance.

(2) The amount available under the commercial paper program is limited to the availability of backup funds under the syndicated credit facilities. While $73.5 of commercial paper was available under the terms of the commercial paper program, due to market conditions existing at September 30, 2008, the ability to issue commercial paper in the marketplace was limited. As of November 5, 2008, liquidity conditions in the commercial paper market have improved.

(3) $400.0 of senior notes issued under one of the company s US shelf registration statements were repaid in full at maturity; no additional amount is available in respect of the principal of these senior notes.

Although the commercial paper market has had constraints, the company continues to have access to debt financing under existing bank credit facilities. The company has two syndicated credit facilities that provide for unsecured advances. The first is a $750.0 facility that provides for unsecured advances through May 31, 2013. As of September 30, 2008, $100.0 of borrowings were outstanding under this facility. The second is a $1,000.0 364-day facility entered into during May 2008 and amended on July 29, 2008. As of September 30, 2008, $1,000.0 of borrowings were outstanding under the 364-day facility. The amount available to the company under both facilities is the total facilities amount less direct borrowings and amounts committed in respect of commercial paper. The $75.0 line of credit is effective through May 2009. Outstanding letters of credit and direct borrowings reduce the amount available. The company may also issue up to an additional $2,250.0 in unsecured debt securities under the company s US shelf registration statements. The company s investment grade rating as measured by Moody s senior debt ratings remained unchanged from December 31, 2007 at Baa1 with a stable outlook. Its investment grade rating as measured by Standard & Poor s senior debt ratings was upgraded in May 2008, from BBB+ with a stable outlook to BBB+ with a positive outlook, and again in August 2008 to A- with a stable outlook.

As at September 30, 2008, interest rates ranged from 3.3 percent to 3.9 percent on outstanding commercial paper denominated in Canadian dollars and 2.5 percent to 4.4 percent on outstanding commercial paper denominated in US dollars. Interest rates on borrowings under the credit facilities ranged from 2.9 percent to 5.5 percent.

The table below presents a maturity analysis of the company s financial liabilities based on the expected cash flows from the date of the balance sheet to the contractual maturity date. The amounts are the contractual undiscounted cash flows.

	Carrying Amount of Liability at September 30, 2008	**Contractual Cash Flows**	**Within 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**
Short-term debt obligations[1]	$ 1,676.3	$ 1,682.0	$ 1,682.0	$ -	$ -	$ -
Accounts payable and accrued charges[2]	754.8	754.8	754.8	-	-	-
Long-term debt obligations[1]	1,358.3	2,431.6	96.7	794.9	346.5	1,193.5
Derivative financial instrument liabilities						
Foreign currency forward contracts	3.2					

Outflow		314.8	314.8	-	-	-
Inflow		(311.6)	(311.6)	-	-	-
Natural gas hedging derivatives	43.1	48.7	20.0	11.7	1.5	15.5

(1) Contractual cash flows include contractual interest payments related to debt obligations.

(2) Excludes taxes, deferred revenues and current portions of accrued environmental costs and asset retirement obligations and accrued pension and other post-retirement benefits. This also excludes derivative financial instrument liabilities which have been presented separately.

Market Risk

Market risk is the risk that financial instrument fair values will fluctuate due to changes in market prices. The significant market risks to which the company is exposed are foreign exchange risk, interest rate risk and price risk (related to commodity and equity securities).

Foreign Exchange Risk

The company is exposed to foreign exchange risk primarily relating to Canadian dollar operating and capital expenditures, income and resource taxes, dividends and capital expenditures denominated in currencies other than the US or Canadian dollar. To manage the company s foreign exchange risk arising from future operating and capital expenditures it may enter into foreign currency forward contracts. The company s treasury risk management policies allow such exposures to be hedged within certain prescribed limits for both forecasted operating and approved capital expenditures. The foreign currency forward contracts are not currently designated as hedging instruments for accounting purposes.

As at September 30, 2008, the company had entered into foreign currency forward contracts to sell US dollars and receive Canadian dollars in the notional amount of $310.0 (2007 $175.0) at an average exchange rate of 1.0455 (2007 1.0690) per US dollar. The company had also entered into other small forward contracts. Maturity dates for all forward contracts are within 2008 and 2009.

The company has certain available-for-sale investments listed on foreign exchanges and denominated in currencies other than the US dollar for which the company is exposed to foreign exchange risk. These investments are held for long-term strategic purposes.

The following table shows the company s exposure to exchange risk and the pre-tax effects on income and other comprehensive income (OCI) of reasonably possible changes in the relevant foreign currency. This analysis assumes all other variables remain constant.

		Foreign Exchange Risk			
	Carrying Amount of Asset (Liability) at September 30, 2008	5% increase in US$		5% decrease in US$	
		Income	OCI	Income	OCI
Accounts receivable denominated in Canadian dollars	$ 18.6	$ (0.9)	$ -	$ 0.9	$ -
Available-for-sale investments					
Israel Chemical Ltd. denominated in New Israeli Shekels	1,936.2	-	(96.8)	-	96.8
Sinofert denominated in Hong Kong dollars	745.4	-	(37.3)	-	37.3
Short-term debt denominated in Canadian dollars	(194.5)	9.7	-	(9.7)	-
Accounts payable denominated in Canadian dollars	(93.5)	4.7	-	(4.7)	-
Derivative instruments					
Foreign currency forward contracts	(3.2)	(15.2)	-	15.2	-

Interest Rate Risk

Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. With respect to the company s debt portfolio, it addresses interest rate risk by using a diversified portfolio of fixed and floating rate instruments. This exposure is also managed by aligning current and long-term assets with demand and fixed-term debt and by monitoring the effects of market changes in interest rates. Interest rate swaps can and have been used by the company to further manage its interest rate exposure.

The company is also exposed to changes in interest rates related to its investments in marketable securities and auction rate securities. With respect to marketable securities, included in cash and cash equivalents, the company s primary objective is to ensure the security of principal amounts invested and provide for a high degree of liquidity, while achieving a satisfactory return. The company s treasury risk management policies specify various investment parameters including eligible types of investment, maximum maturity dates, maximum exposure by counterparty, and minimum credit ratings.

The following table shows the company s exposure to interest rate risk and the pre-tax effects on net income and other comprehensive income of reasonably possible changes in the relevant interest rates. This analysis assumes all other variables remain constant.

	Carrying Amount of Asset (Liability) at September 30, 2008	Interest Rate Risk			
		1% decrease in interest rates		1% increase in interest rates	
		Income	OCI	Income	OCI
Fixed rate instruments					
Long-term debt obligations[1]	$ (1,352.4)	$ -	$ -	$ -	$ -
Variable rate instruments					
Cash and cash equivalents	499.5	(5.0)	-	5.0	-
Available-for-sale investments					
Auction rate securities	34.7	(1.3)	-	1.3	-
Long-term debt obligations	(5.9)	0.1	-	(0.1)	-
Short-term debt obligations	(1,676.3)	16.8	-	(16.8)	-

(1) The company does not account for any fixed rate debt through income as the company has not designated fixed rate debt as held for trading. Therefore, changes in interest rates will not affect income or OCI related to this debt.

Price Risk

The company is exposed to commodity price risk resulting from its natural gas requirements. Its natural gas strategy is based on diversification for its total gas requirements (which represent the forecast consumption of natural gas volumes by its manufacturing and mining facilities). Its objective is to acquire a reliable supply of natural gas feedstock and fuel on a location-adjusted, cost-competitive basis in a manner that minimizes volatility without undue risk. The company employs derivative commodity instruments related to a portion of its natural gas requirements (primarily futures, swaps and options) for the purpose of managing its exposure to commodity price risk in the purchase of natural gas, not for speculative or trading purposes. The company has an Advisory Committee, comprised of members from senior management, responsible for developing policies and establishing procedural requirements relating to its natural gas activities. Such policies include the establishment of limits for the portion of its natural gas requirements that will be hedged as well as the types of instruments that may be utilized for such hedging activities.

The company is also exposed to equity securities price risk because of its exchange-traded available-for-sale securities. These investments, other than the auction rate securities, are held for long-term strategic purposes. The price risk related to auction rate securities results from the current lack of an active market in which the company is able to liquidate such securities and from credit risk as discussed above.

The following table shows the company s exposure to price risk and the pre-tax effects on net income and other comprehensive income of reasonably possible changes in the relevant commodity or securities prices. This analysis assumes all other variables remain constant.

	Carrying Amount of Asset at September 30, 2008	Price Risk			
		10% decrease in prices		10% increase in prices	
		Income	OCI	Income	OCI
Derivative instruments					
Natural gas hedging derivatives[1]	$ 12.2[2]	$ -	$ (102.5)	$ 8.8	$ 93.7
Available-for-sale investments					
Intercorporate investments	2,681.6	-	(268.2)	-	268.2
Auction rate securities[3]	34.7	n/a	n/a	n/a	n/a

(1) As at September 30, 2008, the company had natural gas derivatives qualifying for hedge accounting in the form of swaps which represented a notional amount of 141.1 million MMBtu with maturities in 2008 through 2018.

(2) Amount is net of $43.1 of derivative instrument liabilities. For financial statement presentation purposes, the current portion of derivative instrument liabilities of $19.7, is included with Accounts payable and accrued charges , and the non-current portion of $23.4 is included with Other non-current liabilities and deferred credits .

(3) Due to the current lack of an active market for these securities, price sensitivities are not determinable.

The sensitivity analyses included in the tables above should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to period-end balances and will change due to fluctuations in the balances throughout the year. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instrument was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

Supplemental Disclosures

Financial assets are recognized initially at fair value, normally being the transaction price plus, other than for held-for-trading assets, directly attributable transaction costs. Regular way purchases and sales of financial assets are accounted for on trade date.

5. Share Repurchase

On January 23, 2008, the Board of Directors of PCS authorized a share repurchase program of up to 15,820,000 common shares (approximately 5 percent of the company s issued and outstanding common shares) through a normal course issuer bid. As of September 9, 2008, the company had repurchased the maximum allowable number of shares under the program. On September 11, 2008, the Board of Directors of PCS approved an increase in the share repurchase program to authorize the purchase of up to an additional 15,680,000 common shares (approximately 5 percent of the company s issued and outstanding common shares). If considered advisable, shares may be repurchased from time to time on the open market through January 30, 2009 at prevailing market prices. The timing and amount of purchases, if any, under the program will be dependent upon the availability and alternative uses of capital, market conditions and other factors.

During the three months ended September 30, 2008, the company repurchased for cancellation 4,964,500 common shares under the program, at a cost of $870.7 and an average price per share of $175.38. The repurchase resulted in a reduction of share capital of $23.3, and the excess of cost over the average book value of the shares of $847.4 has been recorded as a reduction of retained earnings. During the nine months ended September 30, 2008, a total of 15,820,000 shares were repurchased at a cost of $2,902.9 and an average price per share of $183.50, resulting in a reduction of share capital of $73.8 and a reduction in retained earnings of $2,829.1.

6. Capital Disclosures

The company s objectives when managing its capital are to maintain financial flexibility while managing its cost of and optimizing access to capital. In order to achieve these objectives, the company s strategy, which was unchanged from 2007, was to maintain its investment grade credit rating.

The company includes net debt and adjusted shareholders equity as components of its capital structure. The calculation of net debt, adjusted shareholders equity and adjusted capital are set out in the following table:

	September 30, 2008	December 31, 2007
Short-term debt	**$ 1,676.3**	$ 90.0
Current portion of long-term debt	**0.2**	0.2

Long-term debt	**1,339.4**	1,339.4
Total debt	**3,015.9**	1,429.6
Less: cash and cash equivalents	**499.5**	719.5
Net debt	**2,516.4**	710.1
Shareholders equity	**5,316.6**	6,018.7
Less: accumulated other comprehensive income	**1,699.8**	2,178.9
Adjusted shareholders equity	**3,616.8**	3,839.8
Adjusted capital[1]	**$ 6,133.2**	$ 4,549.9

(1) Adjusted capital = (total debt – cash and cash equivalents) + (shareholders equity – accumulated other comprehensive income)

The company monitors capital on the basis of a number of factors, including the ratios of: adjusted earnings before interest expense, income taxes, depreciation and amortization, and provision for auction rate securities (adjusted EBITDA) to adjusted interest expense; net debt to adjusted EBITDA and net debt to adjusted capital. Adjusted EBITDA to adjusted interest expense and net debt to adjusted EBITDA are calculated utilizing twelve-month trailing adjusted EBITDA and adjusted interest expense.

	As At or For the 12 Months Ended	
	September 30, 2008	**December 31, 2007**
Components of ratios		
Adjusted EBITDA (twelve months ended)	**$ 4,631.3**	$ 1,906.3
Net debt	**$ 2,516.4**	$ 710.1
Adjusted interest expense (twelve months ended)	**$ 91.3**	$ 90.5
Adjusted capital	**$ 6,133.2**	$ 4,549.9
Ratios		
Adjusted EBITDA to adjusted interest expense(1)	**50.7**	21.1
Net debt to adjusted EBITDA(2)	**0.5**	0.4
Net debt to adjusted capital(3)	**41.0%**	15.6%

(1) Adjusted EBITDA to adjusted interest expense = adjusted EBITDA (twelve months ended) / adjusted interest expense (twelve months ended)

(2) Net debt to adjusted EBITDA = (total debt – cash and cash equivalents) / adjusted EBITDA (twelve months ended)

(3) Net debt to adjusted capital = (total debt – cash and cash equivalents) / (total debt – cash and cash equivalents + total shareholders equity – accumulated other comprehensive income)

The company monitors its capital structure and, based on changes in economic conditions, may adjust the structure through adjustments to the amount of dividends paid to shareholders, repurchase of shares, issuance of new shares, or issuance of new debt.

The increase in adjusted EBITDA to adjusted interest expense is a result of operating results. The net debt to adjusted EBITDA ratio remained constant as improved operating results were offset by an increase in net debt. The increase in net debt led to the increase in the net debt to adjusted capital ratio.

The calculations of the twelve-month trailing net income, adjusted EBITDA, interest expense and adjusted interest expense are set out in the following tables:

Twelve Months Ended	Three Months Ended	Twelve Months Ended

	September 30, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	December 31, 2007
Net income	**$ 3,084.0**	$ 1,236.1	$ 905.1	$ 566.0	$ 376.8	$ 1,103.6
Income taxes	**1,075.5**	463.3	375.2	171.8	65.2	416.2
Interest expense	**51.9**	15.3	15.7	11.2	9.7	68.7
Depreciation and amortization	**322.1**	83.3	83.9	79.9	75.0	291.3
Provision for auction rate securities	**97.8**	27.5	0.7	43.1	26.5	26.5
Adjusted EBITDA	**$ 4,631.3**	$ 1,825.5	$ 1,380.6	$ 872.0	$ 553.2	$ 1,906.3

	Twelve Months Ended	Three Months Ended				Twelve Months Ended
	September 30, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	December 31, 2007
Interest expense	**$ 51.9**	$ 15.3	$ 15.7	$ 11.2	$ 9.7	$ 68.7
Capitalized interest	**39.4**	13.2	10.5	8.4	7.3	21.8
Adjusted interest expense	**$ 91.3**	$ 28.5	$ 26.2	$ 19.6	$ 17.0	$ 90.5

7. Income Taxes

The company s consolidated reported income tax rate for the three months ended September 30, 2008 was 27 percent (2007   38 percent) and for the nine months ended September 30, 2008 was 27 percent (2007   33 percent). For the three and nine months ended September 30, 2008, the consolidated effective income tax rate was 29 percent (2007 33 percent). Items to note include the following:

A scheduled one and a half percentage point reduction in the Canadian federal income tax rate applicable to resource companies along with the elimination of the one percent surtax became effective at the beginning of 2008. In addition, there was an increase in permanent deductions in the US.

In the third quarter of 2008, a current income tax recovery of $29.1 was recorded that related to an increase in permanent deductions in the US from prior years. This is in addition to the future income tax recovery of $42.0 that was recorded in the first quarter of 2008.

Future income tax assets were written down by $11.0 during the second quarter of 2008.

The $25.3 gain recognized in first-quarter 2008 as a result of the change in fair value of the forward purchase contract for shares in Sinofert was not taxable.

8. Net Income Per Share

Basic net income per share for the quarter is calculated on the weighted average shares issued and outstanding for the three months ended September 30, 2008 of 304,017,000 (2007   315,962,000). Basic net income per share for the year to date is calculated based on the weighted average shares issued and outstanding for the nine months ended September 30, 2008 of 310,076,000 (2007   315,444,000).

Diluted net income per share is calculated based on the weighted average number of shares issued and outstanding during the period. The denominator is: (1) increased by the total of the additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price for the period; and (2) decreased by the number of shares that the company could have repurchased if it had used the assumed proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period. The weighted average number of shares outstanding for the diluted net income per share calculation for the three months ended September 30, 2008 was 314,132,000 (2007   324,741,000) and for the nine months ended September 30, 2008 was 320,484,000 (2007   323,580,000).

9. Segment Information

The company has three reportable business segments: potash, nitrogen and phosphate. These business segments are differentiated by the chemical nutrient contained in the product that each produces. Inter-segment sales are made under terms that approximate market value. The accounting policies of the segments are the same as those described in Note 1.

	Three Months Ended September 30, 2008				
	Potash	**Nitrogen**	**Phosphate**	**All Others**	**Consolidated**

Sales	**$ 1,145.2**	**$ 838.9**	**$ 1,080.2**	**$ -**	**$ 3,064.3**
Freight	**36.0**	**18.1**	**27.3**	**-**	**81.4**
Transportation and distribution	**9.9**	**12.9**	**8.8**	**-**	**31.6**
Net sales third party	**1,099.3**	**807.9**	**1,044.1**	**-**	
Cost of goods sold	**189.6**	**483.8**	**536.9**	**-**	**1,210.3**
Gross margin	**909.7**	**324.1**	**507.2**	**-**	**1,741.0**
Depreciation and amortization	**18.9**	**26.2**	**36.1**	**2.1**	**83.3**
Inter-segment sales	**-**	**62.8**	**7.7**	**-**	**-**

	Three Months Ended September 30, 2007				
	Potash	Nitrogen	Phosphate	All Others	Consolidated
Sales	$ 427.4	$ 436.0	$ 431.6	$ -	$ 1,295.0
Freight	38.3	15.4	26.9	-	80.6
Transportation and distribution	8.7	12.9	9.4	-	31.0
Net sales third party	380.4	407.7	395.3	-	
Cost of goods sold	159.1	283.8	265.4	-	708.3
Gross margin	221.3	123.9	129.9	-	475.1
Depreciation and amortization	15.5	22.2	29.3	2.5	69.5
Inter-segment sales	-	25.0	-	-	-

	Nine Months Ended September 30, 2008				
	Potash	Nitrogen	Phosphate	All Others	Consolidated
Sales	**$ 3,135.9**	**$ 2,064.6**	**$ 2,375.4**	**$ -**	**$ 7,575.9**
Freight	**151.6**	**46.4**	**89.2**	**-**	**287.2**
Transportation and distribution	**35.2**	**36.8**	**25.2**	**-**	**97.2**
Net sales third party	**2,949.1**	**1,981.4**	**2,261.0**	**-**	
Cost of goods sold	**638.4**	**1,261.9**	**1,256.9**	**-**	**3,157.2**
Gross margin	**2,310.7**	**719.5**	**1,004.1**	**-**	**4,034.3**
Depreciation and amortization	**65.7**	**71.1**	**104.4**	**5.9**	**247.1**
Inter-segment sales	**-**	**145.4**	**22.4**	**-**	**-**

	Nine Months Ended September 30, 2007				
	Potash	Nitrogen	Phosphate	All Others	Consolidated
Sales	$ 1,318.1	$ 1,336.8	$ 1,147.9	$ -	$ 3,802.8
Freight	135.0	40.0	79.8	-	254.8
Transportation and distribution	30.9	39.1	24.6	-	94.6
Net sales third party	1,152.2	1,257.7	1,043.5	-	
Cost of goods sold	496.3	858.3	752.6	-	2,107.2
Gross margin	655.9	399.4	290.9	-	1,346.2
Depreciation and amortization	54.4	65.5	88.6	7.8	216.3
Inter-segment sales	-	84.1	1.9	-	-

10. Stock-Based Compensation

On May 8, 2008, the company s shareholders approved the 2008 Performance Option Plan under which the company may, after February 20, 2008 and before January 1, 2009, issue options to acquire up to 1,000,000 common shares. Under the plan, the exercise price shall not be less than the quoted market closing price of the company s common shares on the last trading day immediately preceding the date of grant and an option s maximum term is 10 years. In general, options will vest, if at all, according to a schedule based on the three-year average excess of the company s consolidated cash flow return on investment over weighted average cost of capital. As of September 30, 2008, options to purchase a total of 486,450 common shares had been granted under the plan. The weighted average fair value of options granted was $74.76 per share, estimated as of the date of grant using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions:

Expected dividend	$	0.40
Expected volatility		34%
Risk-free interest rate		3.30%
Expected life of options		5.8 years

11. Pension and Other Post-Retirement Expenses

Defined Benefit Pension Plans	Three Months Ended September 30 2008	2007	Nine Months Ended September 30 2008	2007
Service cost	**$ 3.7**	$ 3.9	**$ 11.3**	$ 11.5
Interest cost	**10.0**	9.1	**30.0**	27.3
Expected return on plan assets	**(12.7)**	(10.7)	**(38.5)**	(32.1)
Net amortization and change in valuation allowance	**2.6**	3.2	**7.6**	9.6
Net expense	**$ 3.6**	$ 5.5	**$ 10.4**	$ 16.3

Other Post-Retirement Plans	Three Months Ended September 30 2008	2007	Nine Months Ended September 30 2008	2007
Service cost	**$ 1.5**	$ 1.5	**$ 4.3**	$ 4.4
Interest cost	**4.0**	3.6	**12.0**	10.6
Net amortization	**0.2**	0.1	**0.5**	0.4
Net expense	**$ 5.7**	$ 5.2	**$ 16.8**	$ 15.4

For the three months ended September 30, 2008, the company contributed $7.7 to its defined benefit pension plans, $3.7 to its defined contribution pension plans and $1.5 to its other post-retirement plans. Contributions for the nine months ended September 30, 2008 were $19.6 to its defined benefit pension plans, $16.0 to its defined contribution pension plans and $5.6 to its other post-retirement plans. Total 2008 contributions to these plans are not expected to differ significantly from the amounts previously disclosed in Note 15 to the consolidated financial statements for the year ended December 31, 2007 in the company s 2007 financial review annual report.

12. Other Income

	Three Months Ended September 30 2008	2007	Nine Months Ended September 30 2008	2007

Share of earnings of equity investees	**$ 109.3**	$ 15.4	**$ 193.0**	$ 58.2
Dividend income	**30.3**	8.8	**64.0**	47.5
Gain on forward purchase contract for shares in Sinofert (Note 3)	**-**	-	**25.3**	-
Other	**27.9**	4.9	**44.2**	5.6
Provision for auction rate securities (Note 3)	**(27.5)**	-	**(71.3)**	-
	$ 140.0	$ 29.1	**$ 255.2**	$ 111.3

Included in the Other category for the three and nine months ended September 30, 2008, is a gain on sale of the assets of the company s Brazilian phosphate feed plant and inland potash and feed warehouse in the amount of $21.4. The property, plant and equipment had a carrying value of $9.1. In conjunction with the sale of the assets, all employees were terminated on the closing date and rehired by the buyer. Brazilian law requires payment of severance to any employees involuntarily terminated and as a result severance payments of $0.9 were also recorded in the Other category.

13. Interest Expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Interest expense on				
Short-term debt	**$ 10.7**	$ 1.9	**$ 17.0**	$ 7.7
Long-term debt	**23.9**	24.4	**71.2**	86.3
Interest capitalized to property, plant and equipment	**(13.2)**	(5.7)	**(32.1)**	(14.5)
Interest income	**(6.1)**	(7.9)	**(13.9)**	(20.5)
	$ 15.3	$ 12.7	**$ 42.2**	$ 59.0

14. Seasonality

The company s sales of fertilizer can be seasonal. Typically, the second quarter of the year is when fertilizer sales will be highest, due to the North American spring planting season. However, planting conditions and the timing of customer purchases will vary each year and sales can be expected to shift from one quarter to another.

15. Contingencies

Canpotex

PotashCorp is a shareholder in Canpotex, which markets potash offshore. Should any operating losses or other liabilities be incurred by Canpotex, the shareholders have contractually agreed to reimburse Canpotex for such losses or liabilities in proportion to their productive capacity. There were no such operating losses or other liabilities during the first nine months of 2008 or 2007.

Mining Risk

In common with other companies in the industry, the company is unable to acquire insurance for underground assets.

Investment in Arab Potash Company Ltd. (APC)

The company is party to a shareholders agreement with Jordan Investment Company (JIC) with respect to its investment in APC. The terms of the shareholders agreement provide that, from October 17, 2006 to October 16, 2009, JIC may seek to exercise a put option (the Put) to require the company to purchase JIC s remaining common shares in APC. If the Put were exercised, the company s purchase price would be calculated in accordance with a specified formula based, in part, on earnings of APC. The amount, if any, which the company may have to pay for JIC s remaining common shares if there were to be a valid exercise of the Put would be determinable at the time JIC provides appropriate notice to the company pursuant to the terms of the agreement.

Legal and Other Matters

In 1994, PCS Joint Venture Ltd. (PCS Joint Venture) responded to information requests from the US Environmental Protection Agency (USEPA) and the Georgia Department of Natural Resources, Environmental Protection Division (GEPD) regarding conditions at its Moultrie, Georgia location. PCS Joint Venture believes that the lead-contaminated soil and groundwater found at the site are attributable to former operations at the site prior to PCS Joint Venture s ownership. In 2005, the GEPD approved a Corrective Action Plan to address environmental conditions at this location. As anticipated, the approved remedy requires some excavation and off-site disposal of impacted soil and installation of a groundwater recovery and treatment system. PCS Joint Venture began the remediation in November 2005 and completed soil excavation activities in March 2006, and it is proceeding consistent with the projected schedule and budget.

In 1998, the company, along with other parties, was notified by the USEPA of potential liability under the US federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) with respect to certain soil and groundwater conditions at a PCS Joint Venture blending facility in Lakeland, Florida and certain adjoining property. In 1999, PCS Joint Venture signed an Administrative Order and Consent with the USEPA pursuant to which PCS Joint Venture agreed to conduct a Remedial Investigation and Feasibility Study (RI/FS) of these conditions. PCS Joint Venture and another party are sharing the costs of the RI/FS, which is now complete. A Record of Decision (ROD) based upon the RI/FS was issued on September 27, 2007. The ROD provides for a remedy that requires excavation of impacted soils and interim treatment of groundwater. The total remedy cost is estimated in the ROD to be $8.5. Soil excavation activities are expected to begin in the first quarter of 2009. In February 2008, the USEPA issued letters to PCS Joint Venture and other alleged potentially responsible parties requiring a good faith offer to perform and/or to pay for the remedy. Negotiations are underway regarding the appropriate share of the cost of the remedy that should be borne by each party. Although PCS Joint Venture sold the Lakeland property in July 2006, it has retained the above-described remediation responsibilities and has indemnified the third-party purchaser for the costs of remediation and certain related claims.

The USEPA has identified PCS Nitrogen, Inc. (PCS Nitrogen) as a potentially responsible party with respect to a former fertilizer blending operation in Charleston, South Carolina, known as the Planters Property or Columbia Nitrogen site, formerly owned by a company from which PCS Nitrogen acquired certain other assets. The USEPA has requested reimbursement of $3.0 of previously incurred response costs and the performance or financing of future site investigation and response activities from PCS Nitrogen and other named potentially responsible parties. In September 2005, Ashley II of Charleston, L.L.C., the current owner of the Planters Property, filed a complaint in the United States District Court for the District of South Carolina (the Court) seeking a declaratory judgment that PCS Nitrogen is liable to pay environmental response costs that Ashley II of Charleston, L.L.C. alleges it has incurred and will incur in connection with response activities at the site. The Court entered an order bifurcating the case into two phases. In the third quarter of 2007, the Court issued its decision for the first phase of the case, in which it determined that PCS Nitrogen is the successor to a former owner of the site and may be liable to Ashley II of Charleston, L.L.C. for its environmental response costs at the site. In the first quarter of 2008, PCS Nitrogen filed a motion with the Court for certification of an interlocutory appeal of the Court s order and to stay further proceedings pending a decision on the appeal from the Fourth Circuit Appellate Court. In April 2008, the Court denied PCS Nitrogen s motion for certification finding that an interlocutory appeal of its order at this time would not materially advance the ultimate termination of the litigation. PCS Nitrogen will have to wait until the Court issues a final ruling before it can appeal the Court s decision. PCS Nitrogen has filed third-party complaints against owners and operators that it believes should be responsible parties with respect to the site. PCS Nitrogen is currently pursuing the complaints that it has filed against the third-party defendants. The Court will enter a final decision regarding the allocation and amount of liability that PCS Nitrogen and the third party defendants may have relating to the Planters Property in the second phase of the case. PCS Nitrogen denies that it is a potentially responsible party and is vigorously defending its interests in these actions.

PCS Phosphate Company, Inc. (PCS Phosphate), along with several other entities, has received notice from parties to an Administrative Settlement Agreement (Settling Parties) with the USEPA of alleged contribution liability under CERCLA for costs incurred and to be incurred addressing PCB soil contamination at the Ward Superfund Site in Raleigh, North Carolina (Site). PCS Phosphate has agreed to participate, on a non-joint and several basis, with the Settling Parties in the performance of the removal action and the payment of certain other costs associated with the Site, including reimbursement of the USEPA s past costs. The cost of performing the removal at the Site is estimated at $50.0. The removal activities commenced at the Site in August 2007. The company anticipates recovering some portion of its expenditures in this matter from other liable parties. In September 2008, the USEPA issued a final remedy, with an estimated cost of $6.1, for PCB-impacted sediments downstream of the Site (Operable Unit 1). In October 2008, the USEPA issued special notice letters to PCS Phosphate and other alleged potentially responsible parties requiring a good faith offer to perform and/or pay for the cleanup of Operable Unit 1, to perform further investigation at the Site and adjacent properties, and to reimburse USEPA for its past costs. At this time, the company is unable to evaluate the extent of any exposure that it may have for the matters addressed in the special notice letter.

The USEPA announced an initiative to evaluate implementation within the phosphate industry of a particular exemption for mineral processing wastes under the hazardous waste program. In connection with this industry-wide initiative, the USEPA conducted hazardous waste compliance evaluation inspections at numerous phosphate operations, including the company s plants in Aurora, North Carolina; Geismar, Louisiana; and White Springs, Florida. The USEPA has notified the company of various alleged violations of the US Resource Conservation and Recovery Act (RCRA) at its Aurora and White Springs plants. The company and other industry members have met with representatives of the US Department of Justice, the USEPA and various state environmental agencies regarding potential resolutions of these matters. During these meetings, the company was informed that the USEPA also believes the Geismar plant is in violation of the requirements. As part of the initiative, in September 2008, the company entered into RCRA 3013 Administrative Orders on Consent to perform certain site assessment activities at its White Springs and Aurora plants. The company is uncertain if any resolution will be possible without litigation, or, if litigation occurs, what the outcome would be. At this time, the company is unable to evaluate the extent of any exposure that it may have in these matters.

The USEPA also has announced an initiative to evaluate compliance with the Clean Air Act at sulfuric and nitric acid plants. In connection with this industry-wide initiative, the USEPA has sent requests for information to numerous facilities, including the company s plants in Augusta, Georgia; Aurora, North Carolina; Geismar, Louisiana; Lima, Ohio; and White Springs, Florida. The USEPA has notified the company of various alleged violations of the Clean Air Act at its Geismar and Lima plants. The company has met and will continue to meet with representatives of the USEPA regarding potential resolutions of these matters. At this time, the company is unable to evaluate the extent of any exposure that it may have in these matters.

Significant portions of the company s phosphate reserves in Aurora, North Carolina are located in wetlands. Under the Clean Water Act, the company must obtain a permit from the U.S. Army Corps of Engineers (the Corps) before disturbing the wetlands. The company has a permit from the Corps to mine specified areas. This permit expires in 2017, but the reserves in these areas could be exhausted before then. The company is seeking a new permit from the Corps to mine additional areas. This process includes significant public review and comment that could affect current mitigation and reclamation practices. The company expects to have the necessary approvals for mine continuation during the first quarter of 2009. Failure to secure the required approvals for continuation of the mining operations on acceptable terms would negatively affect the company s reserves and costs.

Pursuant to the 1996 Corrective Action Consent Order (the Order) executed between PCS Nitrogen Fertilizer, LP, f/k/a Arcadian Fertilizer, LP (PCS Nitrogen Fertilizer) and GEPD in conjunction with PCS Nitrogen Fertilizer s purchase of certain real property located in Augusta, Georgia from the entity from which PCS Nitrogen Fertilizer previously leased such property, PCS Nitrogen Fertilizer agreed to perform certain activities including a facility investigation and, if necessary, a corrective action. In accordance with the Order, PCS Nitrogen Fertilizer has performed an investigation of environmental site conditions and has documented its findings in several successive facility investigation reports submitted to GEPD. Based on these findings and on the requirements of the Order, PCS Nitrogen Fertilizer is implementing a pilot study to evaluate the viability of in-situ bioremediation of groundwater at the site. In the event the technology proves successful and full-scale implementation is warranted, upon GEPD approval, a full-scale bioremediation remedy will be implemented. If the pilot study proves unsuccessful or if GEPD does not approve this remedial strategy, other, more costly remediation alternatives may need to be evaluated and implemented.

The company is also engaged in ongoing site assessment and/or remediation activities at a number of other facilities and sites. Based on current information, it does not believe that its future obligations with respect to these facilities and sites are reasonably likely to have a material adverse effect on its consolidated financial position or results of operations.

Between September 11 and October 2, 2008, the company and PCS Sales (USA), Inc., were named as defendants in three very similar antitrust complaints filed in federal courts. Two of the cases were filed in Chicago and one in Minneapolis. Other potash producers are also defendants in these cases. The complaints allege conspiracy to fix potash prices, to divide markets, to restrict supply and fraudulently to conceal the conspiracy, all in violation of Section 1 of the Sherman Act. The complaints were filed by plaintiffs claiming to have purchased potash directly from at least one of the defendants during the period between July 1, 2003, and the present. All three plaintiffs purport to sue on behalf of a class of persons who purchased potash in the United States directly from a defendant. Each of these complaints seeks unspecified treble damages, injunctive relief, attorneys fees, costs and pre-and post-judgment interest.

In addition to the three direct purchaser cases, plaintiffs claiming to be indirect purchasers of potash filed three other complaints against the company and PCS Sales (USA), Inc., in federal court in Chicago on September 15, 2008. Many of the allegations of these complaints are comparable to those in the direct purchaser actions and the named defendants are the same in all six cases. Each of the indirect purchaser complaints were filed on behalf of a proposed class of indirect purchasers of potash in various states and the District of Columbia that, according to the complaints, permit indirect purchasers to pursue state antitrust law claims. These complaints seek damages for unjust enrichment, treble damages where allowed, costs, fees and pre-and post-judgment interest. One indirect purchaser complaint includes both state antitrust law claims and deceptive practices claims under state consumer protection statutes, unjust enrichment claims and common law restraint of trade claims.

The company and PCS Sales (USA), Inc. believe each of these six private antitrust law lawsuits is without merit and intend to defend them vigorously.

Various other claims and lawsuits are pending against the company in the ordinary course of business. While it is not possible to determine the ultimate outcome of such actions at this time, and there exist inherent uncertainties in predicting such outcomes, it is management s belief that the ultimate resolution of such actions is not reasonably likely to have a material adverse effect on the company s consolidated financial position or results of operations.

The breadth of the company s operations and the global complexity of tax regulations require assessments of uncertainties and judgments in estimating the taxes it will ultimately pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these uncertainties and the associated final taxes may result in adjustments to the company s tax assets and tax liabilities.

The company owns facilities which have been either permanently or indefinitely shut down. It expects to incur nominal annual expenditures for site security and other maintenance costs at certain of these facilities. Should the facilities be dismantled, certain other shutdown-related costs may be incurred. Such costs would not be expected to have a material adverse effect on the company s consolidated financial position or results of operations and would be recognized and recorded in the period in which they were incurred.

16. Guarantees

In the normal course of operations, the company provides indemnifications that are often standard contractual terms to counterparties in transactions such as purchase and sale contracts, service agreements, director/officer contracts and leasing transactions. These indemnification agreements may require the company to compensate the counterparties for costs incurred as a result of various events, including environmental liabilities and changes in (or in the interpretation of) laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract, the nature of which prevents the company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. Historically, the company has not made any significant payments under such indemnifications and no amounts have been accrued in the accompanying condensed consolidated financial statements with respect to these indemnification guarantees (apart from any appropriate accruals relating to the underlying potential liabilities).

The company enters into agreements in the normal course of business that may contain features that meet the definition of a guarantee. Various debt obligations (such as overdrafts, lines of credit with counterparties for derivatives and back-to-back loan arrangements) and other commitments (such as railcar leases) related to certain subsidiaries and investees have been directly guaranteed by the company under such agreements with third parties. The company would be required to perform on these guarantees in the event of default by the guaranteed parties. No material loss is anticipated by reason of such agreements and guarantees. At September 30, 2008, the maximum potential amount of future (undiscounted) payments under significant guarantees provided to third parties approximated $571.8. As many of these guarantees will not be drawn upon and the maximum potential amount of future payments does not consider the possibility of recovery under recourse or collateral provisions, this amount is not indicative of future cash requirements or the company s expected losses from these arrangements. At September 30, 2008, no subsidiary balances subject to guarantees were outstanding in connection with the company s cash management facilities, the company had no liabilities recorded for other obligations other than subsidiary bank borrowings of approximately $5.9, which are reflected in other long-term debt, and the company held no cash margin deposits to maintain derivatives.

The company has guaranteed the gypsum stack capping, closure and post-closure obligations of White Springs and PCS Nitrogen in Florida and Louisiana, respectively, pursuant to the financial assurance regulatory requirements in those states.

The environmental regulations of the Province of Saskatchewan require each potash mine to have decommissioning and reclamation plans. Financial assurances for these plans must be established within one year following approval of these plans by the responsible provincial minister. The Minister of Environment for Saskatchewan provisionally approved the plans in July 2000. In July 2001, a Cdn$2.0 irrevocable letter of credit was posted. The company submitted a revised plan when it was due in 2006 and is awaiting a response from the Province. The company is unable to predict, at this time, the outcome of the ongoing review of the plans or the timing of implementation and structure of any financial assurance requirements.

The company has met its financial assurance responsibilities as of September 30, 2008. Costs associated with the retirement of long-lived tangible assets have been accrued in the accompanying consolidated condensed financial statements to the extent that a legal liability to retire such assets exists.

During the period, the company entered into various other commercial letters of credit in the normal course of operations.

The company expects that it will be able to satisfy all applicable credit support requirements without disrupting normal business operations.

17. Reconciliation of Canadian and United States Generally Accepted Accounting Principles

Canadian GAAP varies in certain significant respects from US GAAP. As required by the US Securities and Exchange Commission (SEC), the effect of these principal differences on the company s interim condensed consolidated financial statements is described and quantified below. For a complete discussion of US and Canadian GAAP differences, see Note 33 to the consolidated financial statements for the year ended December 31, 2007 in the company s 2007 financial review annual report.

(a) Long-term investments: Certain of the company s investments in international entities are accounted for under the equity method. Accounting principles generally accepted in those foreign jurisdictions may vary in certain important respects from Canadian GAAP and in certain other respects from US GAAP. The company s share of earnings of these equity investees under Canadian GAAP has been adjusted for the significant effects of conforming to US GAAP.

(b) Property, plant and equipment and goodwill: The net book value of property, plant and equipment and goodwill under Canadian GAAP is higher than under US GAAP, as past provisions for asset impairment under Canadian GAAP were measured based on the undiscounted cash flow from use together with the residual value of the assets. Under US GAAP, they were measured based on fair value, which was lower than the undiscounted cash flow from use together with the residual value of the assets. Fair value for this purpose was determined based on discounted expected future net cash flows.

(c) Depreciation and amortization: Depreciation and amortization under Canadian GAAP is higher than under US GAAP, as a result of differences in the carrying amounts of property, plant and equipment under Canadian and US GAAP.

(d) Exploration costs: Under Canadian GAAP, capitalized exploration costs are classified under property, plant and equipment. For US GAAP, these costs are generally expensed until such time as a final feasibility study has confirmed the existence of a commercially mineable deposit.

(e) Pre-operating costs: Operating costs incurred during the start-up phase of new projects are deferred under Canadian GAAP until commercial production levels are reached, at which time they are amortized over the estimated life of the project. US GAAP requires that these costs be expensed as incurred. As at September 30, 2008 and 2007, the start-up costs deferred for Canadian GAAP were not material.

(f) Pension and other post-retirement benefits: Under Canadian GAAP, when a defined benefit plan gives rise to an accrued benefit asset, a company must recognize a valuation allowance for the excess of the adjusted benefit asset over the expected future benefit to be realized from the plan asset. Changes in the pension valuation allowance are recognized in income. US GAAP does not specifically address pension valuation allowances, and the US regulators have interpreted this to be a difference between Canadian and US GAAP. In light of this, a difference between Canadian and US GAAP has been recorded for the effects of recognizing a pension valuation allowance and the changes therein under Canadian GAAP.

In addition, under US GAAP the company is required to recognize the difference between the benefit obligation and the fair value of plan assets in the Consolidated Statements of Financial Position with the offset to OCI. No similar requirement currently exists under Canadian GAAP.

(g) Foreign currency translation adjustment: The company adopted the US dollar as its functional and reporting currency on January 1, 1995. At that time, the consolidated financial statements were translated into US dollars at the December 31, 1994 year-end exchange rate using the translation of convenience method under Canadian GAAP. This translation method was not permitted under US GAAP. US GAAP required the comparative Consolidated Statements of Operations and Consolidated Statements of Cash Flow to be translated at applicable weighted-average exchange rates; whereas, the Consolidated Statements of Financial Position were permitted to be translated at the December 31, 1994 year-end exchange rate. The use of disparate exchange rates under US GAAP gave rise to a foreign currency translation adjustment. Under US GAAP, this adjustment is reported as a component of accumulated OCI.

(h) Offsetting of certain amounts: Effective January 1, 2008, US GAAP requires an entity to adopt a policy of either offsetting or not offsetting fair value amounts recognized for derivative instruments and for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. The company adopted a policy to offset such amounts effective January 1, 2008. Under Canadian GAAP offsetting of the margin deposits is not permitted.

(i) Stock-based compensation: Under Canadian GAAP, the company s stock-based compensation plan awards classified as liabilities are measured at intrinsic value at each reporting period. US GAAP requires that these liability awards be measured at fair value at each reporting period. The company uses a Monte Carlo simulation model to estimate the fair value of its performance unit incentive plan liability for US GAAP purposes. As at September 30, 2008, the difference between Canadian and US GAAP was not significant.

Under Canadian GAAP, stock options are recognized over the service period, which for PotashCorp is established by the option performance period. Effective January 1, 2006, under US GAAP, stock options are recognized over the requisite service period which does not commence until the option plan is approved by the company s shareholders and options are granted thereunder. For options granted under the PotashCorp 2006 Performance Option Plan, the service period commenced January 1, 2006 under Canadian GAAP and May 4, 2006 under US GAAP. For options granted under the PotashCorp 2007 Performance Option Plan, the service period commenced January 1, 2007 under Canadian GAAP and May 3, 2007 under US GAAP. For options granted under the PotashCorp 2008 Performance Option Plan, the service period commenced January 1, 2008 under Canadian GAAP and May 8, 2008 under US GAAP. This difference impacts the stock-based compensation cost recorded and may impact diluted earnings per share.

(j) Stripping costs: Under Canadian GAAP, the company capitalizes and amortizes costs associated with the activity of removing overburden and other mine waste minerals in the production phase. US GAAP requires such stripping costs to be attributed to ore produced in that period as a component of inventory and recognized in cost of sales in the same period as related revenue.

(k) Income taxes related to the above adjustments: The income tax adjustment reflects the impact on income taxes of the US GAAP adjustments described above. Accounting for income taxes under Canadian and US GAAP is similar, except that income tax rates of enacted or substantively enacted tax law must be used to calculate future income tax assets and liabilities under Canadian GAAP, whereas only income tax rates of enacted tax law can be used under US GAAP.

(l) Income tax consequences of stock-based employee compensation: Under Canadian GAAP, the income tax benefit attributable to stock-based compensation that is deductible in computing taxable income but is not recorded in the consolidated financial statements as an expense of any period (the excess benefit) is considered to be a permanent difference. Accordingly, such amount is treated as an item that reconciles the statutory income tax rate to the company s effective income tax rate. Under US GAAP, the excess benefit is recognized as additional paid-in capital.

(m) Income taxes related to uncertain income tax positions: US GAAP prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its consolidated financial statements uncertain income tax positions that it has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). Canadian GAAP has no similar requirements related to uncertain income tax positions.

(n) Cash flow statements: US GAAP requires the disclosure of income taxes paid. Canadian GAAP requires the disclosure of income tax cash flows, which would include any income taxes recovered during the year. For the three months ended September 30, 2008, income taxes paid under US GAAP were $213.7 (2007 $59.1) and for the nine months ended September 30, 2008, income taxes paid under US GAAP were $600.6 (2007 $128.2).

The application of US GAAP, as described above, would have had the following effects on net income, net income per share, total assets, shareholders equity and comprehensive income.

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	**2007**	**2008**	**2007**
Net income as reported Canadian GAAP	**$ 1,236.1**	$ 243.1	**$ 2,707.2**	$ 726.8
Items increasing (decreasing) reported net income				
Depreciation and amortization (c)	**2.1**	2.1	**6.3**	6.3
Exploration costs (d)	**-**	-	**(5.9)**	-
Stock-based compensation (i)	**(0.7)**	(1.4)	**2.8**	(0.4)
Stripping costs (j)	**0.4**	(0.5)	**(3.1)**	(8.8)
Share of earnings of equity investees (a)	**(0.6)**	(0.6)	**(0.4)**	(1.2)
Pension and other post-retirement benefits (f)	**0.1**	0.7	**0.3**	2.1
Deferred income taxes relating to the above adjustments (k)	**(0.2)**	(0.1)	**(0.1)**	0.5
Income taxes related to US GAAP effective income tax rate (k, l)	**-**	13.6	**(3.2)**	-
Income taxes related to stock-based compensation (l)	**(3.9)**	(3.4)	**(33.0)**	(11.4)
Income taxes related to uncertain income tax positions (m)	**(21.1)**	25.4	**(15.0)**	23.4
Net income US GAAP	**$ 1,212.2**	$ 278.9	**$ 2,655.9**	$ 737.3

Basic weighted average shares outstanding US GAAP		**304,017,000**		315,962,000		**310,076,000**		315,444,000
Diluted weighted average shares outstanding US GAAP		**314,081,000**		323,349,000		**320,480,000**		323,563,000
Basic net income per share US GAAP	**$**	**3.99**	$	0.88	**$**	**8.57**	$	2.34
Diluted net income per share US GAAP	**$**	**3.86**	$	0.86	**$**	**8.29**	$	2.28

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	September 30, 2008	December 31, 2007
Total assets as reported Canadian GAAP	**$ 11,227.5**	$ 9,716.6
Items increasing (decreasing) reported total assets		
Property, plant and equipment (b)	**(94.9)**	(101.2)
Exploration costs (d)	**(12.3)**	(6.4)
Stripping costs (j)	**(35.8)**	(32.7)
Pension and other post-retirement benefits (f)	**(70.0)**	(66.7)
Margin deposits associated with derivative instruments (h)	**(2.9)**	-
Investment in equity investees (a)	**1.9**	2.3
Income tax asset related to uncertain income tax positions (m)	**24.9**	18.4
Goodwill (b)	**(46.7)**	(46.7)
Total assets US GAAP	**$ 10,991.7**	$ 9,483.6

	September 30, 2008	December 31, 2007
Total shareholders equity as reported Canadian GAAP	**$ 5,316.6**	$ 6,018.7
Items increasing (decreasing) reported shareholders equity		
Accumulated other comprehensive income, net of related income taxes, consisting of:		
Cumulative-effect adjustment in respect of uncertain income tax positions (m)	**(1.2)**	(1.2)
Pension and other post-retirement benefits (f)	**(87.8)**	(85.6)
Foreign currency translation adjustment (g)	**(20.9)**	(20.9)
Foreign currency translation adjustment (g)	**20.9**	20.9
Provision for asset impairment (b)	**(218.0)**	(218.0)
Depreciation and amortization (c)	**76.4**	70.1
Exploration costs (d)	**(12.3)**	(6.4)
Stripping costs (j)	**(35.8)**	(32.7)
Pension and other post-retirement benefits (f)	**16.4**	16.1
Share of earnings of equity investees (a)	**1.9**	2.3
Deferred income taxes relating to the above adjustments (k)	**30.3**	30.4
Income taxes related to US GAAP effective income tax rate (k, l)	**(33.5)**	(30.3)
Income taxes related to uncertain income tax positions (m)	**(0.5)**	14.5
Cumulative-effect adjustment to retained earnings in respect of uncertain income tax positions (m)	**85.7**	85.7
Shareholders equity US GAAP	**$ 5,138.2**	$ 5,863.6

	Nine Months Ended September 30 2008	2007
Net income US GAAP	**$ 2,655.9**	$ 737.3
Other comprehensive (loss) income		
Net (decrease) increase in unrealized gains on available-for-sale securities	**(345.2)**	842.6
Net (losses) gains on derivatives designated as cash flow hedges	**(84.8)**	13.9
Reclassification to income of net gains on cash flow hedges	**(20.3)**	(39.8)
Unrealized foreign exchange (losses) gains on translation of self-sustaining foreign operations	**(2.3)**	5.9
Pension and other post-retirement benefits	**(4.3)**	8.7
Share of OCI of equity investees	**-**	(1.3)
Deferred income taxes related to other comprehensive income	**(24.3)**	(51.7)
Other comprehensive (loss) income	**(481.2)**	778.3
Comprehensive income US GAAP	**$ 2,174.7**	$ 1,515.6

Supplemental US GAAP Disclosures

Uncertainty in Income Taxes

The reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest, for the nine months ended September 30, 2008 is as follows:

Balance at December 31, 2007	**$ 11.6**
Additions based on tax positions related to the current year	**11.5**
Additions for tax positions of prior years	**69.4**
Reductions for tax positions of prior years	**(61.2)**
Settlements	**(4.5)**
Balance at September 30, 2008	**$ 26.8**

Recent Accounting Pronouncements

Framework for Fair Value Measurement

The company adopted the provisions of SFAS No. 157, Fair Value Measurements , effective January 1, 2008 and all related FASB Staff Positions published to the date of this report. The standard establishes a framework for measuring fair value and expands the disclosures about fair value measurements. The implementation of this standard did not have a material impact on the consolidated financial statements as the company s current policy on accounting for fair value measurements is consistent with this guidance. The company has, however, provided additional prescribed disclosures not required under Canadian GAAP.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As required by SFAS No. 157, when the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety.

The following table presents the company s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of September 30, 2008.

		Fair Value Measurements at Reporting Date Using:		
Description	Carrying Amount of Asset (Liability) at September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative instrument assets	$ 55.3	$ -	$ -	$ 55.3
Available-for-sale securities	2,716.3	2,681.6	-	34.7
Derivative instrument liabilities (net of cash margin deposits receivable)	(43.4)	2.9	(3.2)	(43.1)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Derivative Instrument Assets	Available-for-Sale Securities
Beginning balance, December 31, 2007	$ 127.7	$ 56.0
Total gains (losses) (realized and unrealized) before income taxes		
Included in earnings	18.2	(71.3)
Included in other comprehensive income	(103.2)	-
Other[(1)]	-	50.0
Purchases, sales, issuances and settlements	(30.5)	-
Transfers out of Level 3	-	-
Ending balance, September 30, 2008	$ 12.2	$ 34.7
Amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets still held at the reporting date	$ (9.9)	$ (71.3)
Gains (losses) (realized and unrealized) included in earnings for the period are reported in:		
Cost of Goods Sold	$ 18.3	$ -
Other income	-	(71.3)

(1) Represents unrealized losses transferred from other comprehensive income to earnings as a result of the other-than-temporary impairment of the securities.

Certain natural gas derivative instrument assets are non-exchange based derivatives that trade in less liquid markets with limited pricing information. These derivatives are valued using price quotations that may not be considered observable, market-based inputs. Such instruments are therefore currently categorized in Level 3.

Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities . This standard permits entities to choose to measure many financial instruments and certain other items at fair value, providing the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without the need to apply hedge accounting provisions. The implementation of SFAS No. 159, effective January 1, 2008, did not have a material impact on the company s consolidated financial statements.

Offsetting of Certain Amounts

In April 2007, the FASB issued FASB Staff Position No. FIN 39-1, Amendment of FASB Interpretation No. 39 (FSP FIN 39-1). FSP FIN 39-1 amends certain paragraphs of FASB Interpretation Number 39, Offsetting of Amounts Related to Certain Contracts , to permit a reporting entity to either (i) offset derivative balances as well as fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement, or (ii) offset no amounts of derivatives or cash collateral for derivative instruments executed with the same counterparty.

The company adopted the provisions of FSP FIN 39-1 effective January 1, 2008. As a result of the implementation of FSP FIN 39-1 the company changed its accounting policy, on a prospective basis, to offset fair value amounts recognized for derivative instruments under master netting arrangements. This has resulted in a decrease of derivative instrument liabilities of $2.9 due to the netting of margin deposits.

Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations . The standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. The company is currently reviewing the guidance, which is effective for fiscal years beginning after December 15, 2008, to determine the potential impact, if any, on its consolidated financial statements.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements . The standard requires all entities to report noncontrolling (minority) interests as equity in consolidated financial statements. SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. The company is currently reviewing the guidance, which is effective for fiscal years beginning after December 15, 2008, to determine the potential impact, if any, on its consolidated financial statements.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities . The standard requires enhanced disclosures about an entity s derivative and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for, and (iii) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. The standard increases convergence with IFRSs, as it relates to disclosures of derivative instruments. The company is currently reviewing the guidance, which is effective for fiscal years beginning after November 15, 2008, to determine the potential impact, if any, on its consolidated financial statements.

The Hierarchy of Generally Accepted Accounting Principles

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles . This standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). The FASB does not expect that this standard will result in a change in current practice. SFAS No. 162 will become effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board (PCAOB) amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles . The company is currently reviewing the guidance to determine the potential impact, if any, on its consolidated financial statements.

18. Comparative Figures

Certain of the prior periods figures have been reclassified to conform with the current periods presentation.

ITEM 2. *MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion and analysis is the responsibility of management and is as of November 5, 2008. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised exclusively of independent directors. The audit committee reviews and prior to its publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure. The term PCS refers to Potash Corporation of Saskatchewan Inc. and the terms we , us , our , PotashCorp and the company refer to PCS and, as applicable, PCS and its direct and indirect subsidiaries as a group. Additional information relating to the company, including our Annual Report on Form 10-K, can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml.

POTASHCORP AND OUR BUSINESS ENVIRONMENT

PotashCorp has built a global business on the natural nutrients potash, nitrogen and phosphate. Our products serve three different markets: fertilizer, industrial and animal feed. We sell fertilizer to North American retailers, cooperatives and distributors that provide storage and application services to farmers, the end users. Our offshore customers are government agencies and private importers who buy under contract and on the spot market; spot sales are more prevalent in North America. Fertilizers are sold primarily for spring and fall application in both northern and southern hemispheres.

Transportation is an important part of the final purchase price for fertilizer so producers usually sell to the closest customers. In North America, we sell mainly on a delivered basis via rail, barge, truck and pipeline. Offshore customers purchase product either at the port where it is loaded or delivered with freight included.

Potash, nitrogen and phosphate are also used as inputs for the production of animal feed and industrial products. Most feed and industrial sales are by contract and are more evenly distributed throughout the year than fertilizer sales.

POTASHCORP VISION

We seek to be the partner of choice, providing superior value to all our stakeholders. We strive to be the highest quality low-cost producer and sustainable gross margin leader in the products we sell and the markets we serve. Through our strategy, we attempt to minimize the natural volatility of our business. We strive for increased earnings and to outperform our peer group and other basic materials companies in total shareholder return, a key measure of any company s value.

We link our financial performance with areas of extended responsibility that include safety, the environment and all those who have a social or economic interest in our business. We focus on increased transparency to improve our relationships with all our stakeholders, believing this gives us a competitive advantage.

POTASHCORP STRATEGY

To provide our stakeholders with superior value, our strategy focuses on generating long-term growth while striving to minimize fluctuations in our upward-trending earnings line. This value proposition has given our stakeholders superior value for many years. We apply this strategy by concentrating on our highest margin products. This dictates our Potash First strategy, focusing our capital internally and through investments to build on our world-class potash assets and meet the rising global demand for this vital nutrient. By investing in potash capacity while producing to meet market demand, we create the opportunity for significant growth while limiting downside risk. We complement our potash operations with focused nitrogen and phosphate businesses that emphasize the production of high-margin products with stable and sustainable earnings potential.

We strive to grow PotashCorp by enhancing our position as supplier of choice to our customers, delivering the highest quality products at market prices when they are needed. We seek to be the supplier of choice to high-volume, high-margin customers with the lowest credit risk. It is critical that our customers recognize our ability to create value for them based on the price they pay for our products.

As we plan our future, we carefully weigh our choices for our strong cash flow. We base all investment decisions on cash flow return materially exceeding cost of capital, evaluating the best return on any investment that matches our Potash First strategy. Most of our recent capital expenditures have gone to investments in our own potash capacity, and we look to increase our existing offshore potash investments and seek other merger and acquisition opportunities in this nutrient. We also consider share repurchase and increased dividends as ways to maximize shareholder value over the long term.

KEY PERFORMANCE DRIVERS   PERFORMANCE COMPARED TO GOALS

Each year we set targets to advance our long-term goals and drive results. We have developed key performance indicators to monitor our progress and measure success. As we drill down into the organization with these metrics, we believe:

- management will focus on the most important things, which will be reinforced by having the measurable, relevant results readily accessible;

- employees will understand and be able to effectively monitor their contribution to the achievement of corporate goals; and

- we will be even more effective in meeting our targets.

Our long-term goals and 2008 targets are set out on pages 25 to 27 of our 2007 financial review annual report. A summary of our progress against selected goals and representative annual targets is set out below.

Goal	Representative 2008 Annual Target	Performance to September 30, 2008
Prevent harm to people.	Continue safety initiatives to reduce severity and lost-time injury rates to zero. Reduce recordable injury rates by 15 percent from 2007 level. Reduce lost-time injury rates by 20 percent from 2007 level.	Recordable injury rate was 2.11, representing an increase of 9 percent for the first nine months of 2008 compared to the 2007 annual level. As compared to the nine months ended September 30, 2007, recordable injury rate increased 4 percent. Lost-time injury rate was 0.37, representing an increase of 86 percent for the first nine months of 2008 compared to the 2007 annual level. As compared to the nine months ended September 30, 2007, lost-time injury rate increased 271 percent.
To have no accidents and no damage to the environment.	Maintain energy usage per tonne of product produced at 2007 levels.	Compared to the 2007 annual average, corporate-wide weighted-average energy usage (including natural gas, electricity and fuel oil) per tonne of product (as measured on a N basis for nitrogen, P_2O_5 basis for phosphate and KCl basis for potash) was flat in the first nine months of 2008.
	Reduce reportable releases and permit excursions by 15 percent from 2007	Reportable release rate on an annualized basis declined 11 percent while annualized permit excursions were down 52 percent during the first nine months of 2008

	levels.	compared to 2007 annual levels. Compared to the first nine months of 2007, reportable releases were down 33 percent and permit excursions were up 33%.
To meet the needs and expectations of our providers of capital.	Exceed total shareholder return for our sector and companies on the DJUSBM for 2008.	PotashCorp s total shareholder return was -8 percent in the first nine months of 2008, exceeding the DJUSBM return of -25 percent and our sector average return of -20 percent.

FINANCIAL OVERVIEW

This discussion and analysis is based on the company s unaudited interim condensed consolidated financial statements reported under generally accepted accounting principles in Canada (Canadian GAAP). These principles differ in certain significant respects from accounting principles generally accepted in the United States. These differences are described and quantified in Note 17 to the unaudited interim condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q. All references to per-share amounts pertain to diluted net income per share.

For an understanding of trends, events, uncertainties and the effect of critical accounting estimates on our results and financial condition, the entire document should be read carefully together with our 2007 financial review annual report.

Earnings Guidance

The company s guidance for the third quarter of 2008 was earnings per share in the range of $3.25 to $3.75 per share, assuming a period end exchange rate of 1.00 Canadian dollars per US dollar and consolidated effective income tax rate between 28-30 percent. The final result was net income of $1,236.1 million, or $3.93 per share, with a period-end exchange rate of 1.0599 Canadian dollars per US dollar, a consolidated reported income tax rate of 27 percent.

Overview of Actual Results

Operations

	Three Months Ended September 30				Nine Months Ended September 30			
rs (millions) except per-share amounts	**2008**	**2007**	**Dollar Change**	**% Change**	**2008**	**2007**	**Dollar Change**	**Cl**
	$ 3,064.3	$ 1,295.0	$ 1,769.3	137	**$ 7,575.9**	$ 3,802.8	$ 3,773.1	
it	**81.4**	80.6	0.8	1	**287.2**	254.8	32.4	
portation and distribution	**31.6**	31.0	0.6	2	**97.2**	94.6	2.6	
of goods sold	**1,210.3**	708.3	502.0	71	**3,157.2**	2,107.2	1,050.0	
margin	**$ 1,741.0**	$ 475.1	$ 1,265.9	266	**$ 4,034.3**	$ 1,346.2	$ 2,688.1	
ting income	**$ 1,714.7**	$ 406.2	$ 1,308.5	322	**$ 3,759.7**	$ 1,136.8	$ 2,622.9	
come	**$ 1,236.1**	$ 243.1	$ 993.0	408	**$ 2,707.2**	$ 726.8	$ 1,980.4	
come per share basic	**$ 4.07**	$ 0.77	$ 3.30	429	**$ 8.73**	$ 2.30	$ 6.43	

come per share diluted	**$**	**3.93**	$	0.75	$	3.18	424	**$**	**8.45**	$	2.25	$	6.20

With higher prices for all potash, nitrogen and phosphate products, third-quarter earnings of $3.93 per share ($1,236.1 million) was a five-fold increase over the $0.75 per share ($243.1 million) earned in the same period last year. This exceeded the $3.40 per share ($1,103.6 million) earned in the full-year 2007. Earnings for the first nine months of 2008 reached $8.45 per share ($2,707.2 million) and gross margin grew to $4,034.3 million, ahead 276 percent and 101 percent of the $2.25 per share ($726.8 million) and $1,346.2 million in gross margin in last year s first nine months, respectively.

All three nutrients contributed to record-setting quarterly gross margin of $1,741.0 million, up 266 percent from the $475.1 million generated in the third quarter of 2007. Gross margin for the first nine months of 2008 reached $4,034.3 million compared to $1,346.2 million in the first nine months of 2007 and has already exceeded the record full-year total of $1,881.2 million set last year. While grain and oilseed prices remained supportive through the third quarter, they were caught up in a broad decline in commodity prices. The global financial crisis exacerbated these conditions, damaging investor confidence and sparking sales of liquid assets. By the end of the quarter, we believe lower crop prices no longer reflected the strong underlying global grain fundamentals, and fears about access to credit for agricultural buyers had a negative effect on the psychology of the sector as a whole. In potash, producer inventories were at historically low levels entering the quarter. Reduced production due to seasonal maintenance turnarounds for all producers and ongoing strikes at three PotashCorp facilities limited the available supplies. As a result, potash fundamentals remained strong through the entire quarter. The major markets for solid nitrogen and phosphate fertilizers namely the US, Brazil and India appeared cautious in light of uncertain global economic conditions. In the US, late spring planting pushed back the fall season and gave distributors time to replenish inventories. In Brazil, weather delays held back planting and enabled fertilizer inventories to reach healthy levels ahead of the spring season. With a late start in other key markets, India s buyers delayed purchases, opting for low inventories in the hope that weakening global trade and a precipitous drop in sulfur prices would lower fertilizer prices. These trends were offset by the continued restriction of Chinese urea and phosphate trade due to the continuation of prohibitive export taxes on these products.

Potash gross margin as a percentage of net sales rose to 83 percent in the third quarter and 78 percent in the first nine months of 2008, compared to 58 percent and 57 percent in the same periods of 2007, respectively, due to price increases being realized. Driven by higher prices for all our nitrogen products, nitrogen gross margin reached $324.1 million in the quarter and $719.5 million in the first nine months of 2008, up from $123.9 million and $399.4 million in the same periods in 2007, respectively. Price increases pushed phosphate gross margin to $507.2 million in the quarter and $1,004.1 million in the first nine months of 2008, up from $129.9 million in the third quarter of 2007 and $290.9 million in the first nine months.

Selling and administrative expenses were $12.2 million lower than in the same quarter last year though $0.6 million higher than the first nine months. A decline in the price of our common shares reduced the value of deferred share units during the third quarter and first nine months of 2008 causing selling and administrative expenses to decline as compared to the same periods in 2007 when a share price increase had the opposite effect. Provincial mining and other taxes increased more than six times quarter over quarter and more than four times year over year as potash profit per tonne increased substantially compared to the same periods last year. The Canadian dollar weakened during the third quarter and first nine months of 2008, contributing to primarily non-cash foreign exchange gains of $37.4 million and $63.2 million in those periods, respectively. This compares to a strengthening in the third quarter and first nine months of 2007 that contributed to losses of $25.9 million and $67.4 million in the same periods last year, respectively. Other income increased $110.9 million quarter over quarter and $143.9 million year over year as our investments in Arab Potash Company Ltd. (APC), Sociedad Quimica y Minera de Chile (SQM), and Israel Chemicals Ltd. (ICL) contributed an additional $115.4 million during the three-months ended September 30, 2008 compared to the prior year and, along with Sinofert Holdings Limited (Sinofert), an additional $151.3 million during the first nine months of the year compared to 2007. A gain of $25.3 million on a forward purchase contract for shares of Sinofert recognized in first-quarter 2008 further increased other income. These increases were partially offset by an additional $71.3 million provision for other-than-temporary impairment of auction rate securities recorded in other income in the first nine months of 2008, of which $27.5 million was recognized in the third quarter.

Our consolidated reported income tax rate for the three months ended September 30, 2008 was 27 percent (2007 38 percent) and for the nine months ended September 30, 2008 was 27 percent (2007 33 percent). The 2008 third quarter consolidated effective income tax rate remained unchanged from the second quarter at 29 percent (2007 33 percent). An income tax recovery of $29.1 million, related to an increase in permanent deductions in the US from prior years, was recorded in the third quarter in addition to the $42.0 million that was recorded in the first quarter of 2008. The $25.3 million first-quarter 2008 gain recognized as a result of the change in fair value of the forward purchase contract for shares in Sinofert was not taxable.

Balance Sheet

Total assets were $11,227.5 million at September 30, 2008, an increase of $1,510.9 million or 16 percent over December 31, 2007. Total liabilities increased by $2,213.0 million from December 31, 2007 to $5,910.9 million at September 30, 2008, and total shareholders equity decreased by $702.1 million during the same period to $5,316.6 million.

Accounts receivable, inventories and property, plant and equipment were the largest contributors to the increase in assets during the first nine months of 2008. Accounts receivable increased $776.8 million or 130 percent compared to December 31, 2007 as a result of higher product prices that drove sales up 109 percent in the month of September 2008 compared to December 2007. Although the accounts receivable balance increased, our internal collection statistics indicate that customers continue to meet the terms of their purchases. During the first nine months of 2008, phosphate inventories increased by $237.8 million, nitrogen inventories increased by $78.4 million and potash inventories decreased by $0.4 million which resulted in a $743.9 million inventory balance at September 30 as compared to $428.1 million at December 31, 2007. Inventory values for phosphate have grown due to higher input costs for sulfur and ammonia and inventory volumes grew at September 30, 2008 as customers anticipate a reduction in prices, while nitrogen inventory values increased mainly due to higher natural gas costs. Additions to property, plant and equipment of $770.6 million were incurred ($549.9 million, or 71 percent, of which related to the potash segment). These increases in assets were offset by a $220.0 million decline in cash and cash equivalents that was primarily due to common share repurchases of $2,902.9 million.

Auction rate securities that are classified as available-for-sale are included in Investments. The company has determined that the fair value of the auction rate securities was $34.7 million at September 30, 2008 (face value $132.5 million), as compared to $56.0 million as of December 31, 2007, $43.1 million as at March 31, 2008 and $46.9 million as of June 30, 2008.

Market conditions at the end of 2007 that caused the investments to be illiquid had further deteriorated at the end of the third quarter of 2008. The decline in fair value from year-end reflects such illiquid or non-existent markets as well as continued concerns over defaults in the challenging sub-prime mortgage market and the ongoing corrections in the housing market that increase the probability of default in some of the underlying collateral of these investments. The increase in the proportion of the impairment that is considered other-than-temporary reflects the reduced fair values, and the fact that all six of the investments (including the two at December 31, 2007 and March 31, 2008, and the four at June 30, 2008) held in our account are now considered to fall into this category. This increase is as a result of the length of time and amount of impairment loss for such investments combined with collateral underlying the investments that is at a higher risk for default. The company is able to hold the investments in auction rate securities until liquidity improves, but does not expect this to occur in the next 12 months.

Liabilities increased primarily as a result of higher short-term debt and accounts payable and accrued charges. Short-term debt increased $1,586.3 million compared to December 31, 2007 as borrowings, together with cash on hand, were used to fund our common share repurchases during the first nine months of 2008. The $556.6 million increase in accounts payable and accrued charges was primarily attributable to: (1) taxes payable, which were up $354.9 million as a result of higher earnings despite significant payments made during the first nine months of 2008; (2) $29.2 million higher accrued provincial mining taxes; (3) accrued natural gas, sulfur and power costs that were up $99.6 million due to sulfur prices; and (4) payables associated with increased potash expansion project activity.

Contributed surplus increased at September 30, 2008 compared to December 31, 2007, while share capital, accumulated other comprehensive income (AOCI) and retained earnings decreased. AOCI decreased $479.1 million as a result of a $402.2 million decrease in net unrealized gains on available-for-sale securities (primarily Sinofert which declined $687.2 million, offset in part by an increase of $249.5 million in unrealized gains on ICL) and a $60.2 million decrease in net unrealized gains on our natural gas derivatives that qualify for hedge accounting. During the first nine months of 2008, we repurchased for cancellation 15,820,000 of our common shares at a cost of $2,902.9 million resulting in a reduction of share capital of $73.8 million. The excess of net cost over the average book value of the shares of $2,829.1 million was recorded as a reduction of retained earnings. Net income of $2,707.2 million for the first nine months of 2008 increased retained earnings while dividends declared of $92.5 million and the impact of the share repurchase program reduced the balance, for a net reduction in retained earnings of $214.4 million at September 30, 2008 compared to December 31, 2007.

Business Segment Review

Note 9 to the unaudited interim condensed consolidated financial statements provides information pertaining to our business segments. Management includes net sales in segment disclosures in the consolidated financial statements pursuant to Canadian GAAP, which requires segmentation based upon our internal organization and reporting of revenue and profit measures derived from internal accounting methods. Net sales (and the related per-tonne amounts) are the primary revenue measures we use and review in making decisions about operating matters on a business segment basis. These decisions include assessments about potash, nitrogen and phosphate performance and the resources to be allocated to these segments. We also use net sales (and the related per-tonne amounts) for business planning and monthly forecasting. Net sales are calculated as sales revenues less freight, transportation and distribution expenses.

Our discussion of segment operating performance is set out below and includes nutrient product and/or market performance where applicable to give further insight into these results. Certain of the prior periods figures have been reclassified to conform to the current periods presentation.

Potash

	Three Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average Price per Tonne[1]		
	2008	**2007**	**% Change**	**2008**	**2007**	**% Change**	**2008**	**2007**	**% Change**
Sales	**$ 1,145.2**	$ 427.4	168						
Freight	**36.0**	38.3	(6)						
Transportation and distribution	**9.9**	8.7	14						
Net sales	**$ 1,099.3**	$ 380.4	189						
Manufactured product									
Net sales									
North American	**$ 299.5**	$ 138.4	116	**532**	710	(25)	**$ 562.86**	$ 194.82	189
Offshore	**796.7**	239.7	232	**1,325**	1,442	(8)	**$ 601.34**	$ 166.20	262
	1,096.2	378.1	190	**1,857**	2,152	(14)	**$ 590.31**	$ 175.63	236
Cost of goods sold	**185.6**	157.2	18				**$ 99.95**	$ 72.98	37
Gross margin	**910.6**	220.9	312				**$ 490.36**	$ 102.65	378
Other miscellaneous and purchased product									
Net sales	**3.1**	2.3	35						
Cost of goods sold	**4.0**	1.9	111						
Gross margin	**(0.9)**	0.4	n/m						
Gross Margin	**$ 909.7**	$ 221.3	311				**$ 489.88**	$ 102.83	376

	Nine Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average Price per Tonne[(1)]		
	2008	**2007**	**% Change**	**2008**	**2007**	**% Change**	**2008**	**2007**	**% Change**
Sales	**$ 3,135.9**	$ 1,318.1	138						
Freight	**151.6**	135.0	12						
Transportation and distribution	**35.2**	30.9	14						
Net sales	**$ 2,949.1**	$ 1,152.2	156						
Manufactured product									
Net sales									
North American	**$ 1,028.6**	$ 482.0	113	**2,585**	2,653	(3)	**$ 397.88**	$ 181.63	119
Offshore	**1,909.5**	661.8	189	**4,527**	4,477	1	**$ 421.84**	$ 147.82	185
	2,938.1	1,143.8	157	**7,112**	7,130	-	**$ 413.13**	$ 160.40	158
Cost of goods sold	**629.7**	490.3	28				**$ 88.55**	$ 68.75	29
Gross margin	**2,308.4**	653.5	253				**$ 324.58**	$ 91.65	254
Other miscellaneous and purchased product									
Net sales	**11.0**	8.4	31						
Cost of goods sold	**8.7**	6.0	45						
Gross margin	**2.3**	2.4	(4)						
Gross Margin	**$ 2,310.7**	$ 655.9	252				**$ 324.90**	$ 91.99	253

(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.
n/m = not meaningful

Highlights

Potash generated a record $909.7 million of gross margin in the third quarter of 2008, up from $221.3 million in the same quarter last year. Extremely tight supply/demand fundamentals made fulfilling volume commitments to North American and offshore customers a challenge and led to significantly higher prices and gross margin. For the first nine months of 2008, potash gross margin of $2,310.7 million was 252 percent higher than the $655.9 million generated in the first nine months of 2007.

Third-quarter sales volumes of 1.9 million tonnes were 14 percent below the same period last year, as potash availability was limited and our quarter-end inventories were reduced to the lowest in our history. Total sales volumes of 7.1 million tonnes for the first nine months of 2008 were flat compared to the same period last year.

Our inventories, of 212,000 tonnes are 49 percent lower than last year s levels and 33 percent lower than June 30, 2008 levels.

We produced 1.7 million tonnes in the third quarter of 2008 compared to 1.8 million tonnes in third-quarter 2007. In the first nine months of 2008 and 2007, we produced 6.6 million tonnes. Per-tonne cost of goods sold increased 37 percent (over $26 per tonne) quarter over quarter and 29 percent (almost $20 per tonne) year over year, due to the impact of a stronger Canadian dollar, higher royalties and additional costs for brine inflow management at New Brunswick.

Unionized employees at the company s Allan Division, Cory Division and Patience Lake Division potash operations commenced strike action on August 7, 2008. The labor dispute at these three facilities led to 16 additional mine shutdown weeks compared to last year s third quarter.

Potash gross margin variance attributable to:

Dollars (millions)	**Three Months Ended September 30 2008 vs. 2007**				**Nine Months Ended September 30 2008 vs. 2007**			
		Change in Prices/Costs				**Change in Prices/Costs**		
	Change in Sales Volumes	**Net Sales**	**Cost of Goods Sold**	**Total**	**Change in Sales Volumes**	**Net Sales**	**Cost of Goods Sold**	**Total**
Manufactured product								
North American	$ (24.3)	$ 191.8	$ (7.2)	$ 160.3	$ (9.7)	$ 557.9	$ (37.9)	$ 510.3
Offshore	(10.8)	572.9	(34.2)	527.9	5.2	1,240.4	(102.5)	1,143.1
Change in market mix	2.4	(0.9)	-	1.5	2.3	(0.8)	-	1.5
Total manufactured product	$ (32.7)	$ 763.8	$ (41.4)	689.7	$ (2.2)	$ 1,797.5	$ (140.4)	1,654.9
Other miscellaneous and purchased product				(1.3)				(0.1)

Total	$ 688.4	$ 1,654.8

Sales and Cost of Goods Sold

The most significant contributors to the $688.4 million increase in total gross margin quarter over quarter were as follows:

Previously announced price increases, reflecting increased demand, were realized during the quarter. The average offshore price more than tripled since September 30, 2007 as the benefit of previously announced price increases were realized. Incremental spot market prices to Brazil and Southeast Asia each increased by approximately $700 per tonne since last year s third quarter, while China paid an additional $400 per tonne and India $355 per tonne on their contracts with Canpotex Limited (Canpotex), the offshore marketing company for Saskatchewan potash producers. In North America, realized prices of $563 per tonne were 189 percent higher than in the same quarter last year, as we continued to recognize the benefit of approximately $370 per tonne of previously announced price increases since last year s third quarter. By the end of this year s third quarter, we began to realize an additional $275 per tonne increase introduced September 1, 2008. Prices in the North American market were $38 per tonne, or 6 percent, lower than offshore prices. This compares to North American prices that were $29 per tonne, or 17 percent, higher than offshore prices in the third quarter of 2007. Historically, higher prices have been realized in the North American market due, in part, to prices in offshore contracts lagging behind prices in the North American spot market. Product mix is also a factor, as North American customers prefer premium priced granular product versus standard product more typically consumed in certain major offshore markets. This traditional relationship became inverted in the third quarter of this year, principally due to the proportion of tonnage destined for spot versus contract markets and the pace and timing of price increases in the offshore markets as compared to those in North America.

Sales volumes of 1.9 million tonnes were down 14 percent from last year s third quarter, as potash availability was limited due to our inventories being at the lowest levels ever and decreased production at three potash mines due to a strike. All shipped volumes remained on an allocation basis. North American potash volumes were down 25 percent due to these tight supplies. Offshore shipments of 1.3 million tonnes were 8 percent lower than the same quarter last year, also because of limited supply. The pattern of this year s offshore shipments was altered by the late contract settlement between Canpotex and China. Canpotex shipped 585,000 tonnes to China in third quarter 2008 reflecting more traditional levels but still down 5 percent from the same quarter in 2007. India continued to benefit from China s late entry to the market, receiving 336,000 tonnes from Canpotex in the quarter, an increase of 23 percent from the same period last year. Canpotex s third-quarter shipments to Brazil (575,000 tonnes) were up 6 percent quarter over quarter. The 448,000 tonnes sent to Southeast Asian countries in third quarter 2008 was 16 percent below last year s third quarter, as countries in that region bought earlier in the year while China was on the sidelines.

Production levels were down 5 percent as shutdown weeks increased from 8 weeks in 2007 to 24 weeks in 2008 as a result of a labor dispute at three mines. Production levels did not fall further compared to last year as the timing of the strike overlapped certain regularly planned maintenance shutdowns during the quarter. The impact of a stronger Canadian dollar relative to the US dollar negatively impacted cost of goods sold by more than $5 per tonne on all tonnes. Higher potash royalties included in cost of goods sold resulting from higher sales prices increased costs by $14.0 million ($8 per tonne) and brine inflow management costs at New Brunswick incrementally increased total cost by $3.8 million ($2 per tonne). The costs of brine inflow were attributed to production of potash that was mainly sold in the offshore market, contributing to the negative price component of the cost of goods sold variance being higher for the offshore market than for North America.

Total potash gross margin grew each quarter in 2008 and 2007 as follows:

The $1,654.8 million total gross margin increase year over year was largely attributable to the following changes:

Offshore prices almost tripled over last year as per-tonne increases announced by Canpotex in the first and second quarter were realized. In North America, the announced price increases in the first quarter ($55 and $88), second quarter ($165 to $193) and third quarter ($275) took effect. Our North American realized prices were $24 per tonne, or 6 percent, lower than offshore prices. North American prices shifted from being $26 per tonne (9 percent) higher in the first quarter of 2008 to being $14 per tonne (3 percent) lower in the second quarter and $38 per tonne (6 percent) lower in the third. This compares to North American prices that were $34 per tonne, or 23 percent, higher than offshore prices in the first nine months of 2007. The shift began in second quarter 2008 as a greater percentage of spot sales were occurring in offshore markets at the same time as price escalations were moving higher.

Total sales volumes in 2008 were flat compared to 2007. Products were being sold on an allocation basis to all customers as high demand, supported by high commodity prices, coupled with reduced production levels as a result of the labor dispute at three facilities kept our inventories at historically low levels and led us to sell all the product we produced. In the first half of 2008, global customers acted to secure supply rather than wait for China to set the bar with its annual price contract. Brazil was Canpotex s largest customer in 2008 taking 24 percent of Canpotex s sales volumes or 1.9 million tonnes, while India took 1.0 million tonnes or 14 percent and China took 908,000 tonnes or 12 percent of total sales volumes. In 2007, sales to Brazil, India and China represented 21 percent, 10 percent and 26 percent of Canpotex s total sales volumes, respectively. Although sales volumes to China were down 50 percent, volumes to India increased by 43 percent, Brazil by 25 percent and Southeast Asia by 25 percent.

Production levels were flat in 2008 as a 10 percent increase in the first quarter, resulting from no shutdown weeks incurred compared to two shutdown weeks in the same period in 2007, was offset by a 5 percent reduction in both the second and third quarters. In total, 26 shutdown weeks were incurred during the first nine months of 2008 compared to 18 in the first nine months of 2007. Despite an additional eight weeks of shutdown during 2008, production levels were flat as our Rocanville and Lanigan mines had higher recovery rates which offset lost production from other mines. The impact of a stronger Canadian dollar relative to the US dollar negatively impacted cost of goods sold by over $8 per tonne on all tonnes. Higher potash royalties included in cost of goods sold increased costs by $56.8 million ($8 per tonne). Period costs related to the strike resulted in a $5 per tonne increase. Higher operating costs at Esterhazy increased cost of sales by $3 per tonne and brine inflow management costs at New Brunswick incrementally increased total cost by $30.9 million ($4 per tonne). Since the costs of brine inflow were attributed to production of potash that was mainly sold in the offshore market, the negative price component of the cost of goods sold variance was higher for the offshore market than for North America.

Nitrogen

	Three Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average Price per Tonne[1]		
	2008	**2007**	**% Change**	**2008**	**2007**	**% Change**	**2008**	**2007**	**% Change**
Sales	**$ 838.9**	$ 436.0	92						
Freight	**18.1**	15.4	18						
Transportation and distribution	**12.9**	12.9	-						
Net sales	**$ 807.9**	$ 407.7	98						
Manufactured product									
Net sales									
Ammonia	**$ 344.4**	$ 148.3	132	**494**	526	(6)	**$ 697.82**	$ 282.63	147
Urea	**219.7**	119.1	84	**280**	356	(21)	**$ 783.79**	$ 334.39	134
Nitrogen solutions/Nitric acid/ Ammonium nitrate	**193.4**	105.1	84	**613**	569	8	**$ 315.46**	$ 184.82	71
	757.5	372.5	103	**1,387**	1,451	(4)	**$ 546.17**	$ 257.01	113
Cost of goods sold	**445.0**	253.8	75				**$ 320.86**	$ 175.20	83
Gross margin	**312.5**	118.7	163				**$ 225.31**	$ 81.81	175
Other miscellaneous and purchased product									
Net sales	**50.4**	35.2	44						
Cost of goods sold	**38.8**	30.0	30						
Gross margin	**11.6**	5.2	123						
Gross Margin	**$ 324.1**	$ 123.9	162				**$ 233.67**	$ 85.39	174

	Nine Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average Price per Tonne[1]		
	2008	2007	% Change	**2008**	2007	% Change	**2008**	2007	% Change
Sales	**$ 2,064.6**	$ 1,336.8	54						
Freight	**46.4**	40.0	16						
Transportation and distribution	**36.8**	39.1	(6)						
Net sales	**$ 1,981.4**	$ 1,257.7	58						
Manufactured product									
Net sales									
Ammonia	**$ 823.0**	$ 504.4	63	**1,400**	1,622	(14)	**$ 588.04**	$ 311.10	89
Urea	**528.5**	344.9	53	**907**	1,008	(10)	**$ 582.79**	$ 342.36	70
Nitrogen solutions/Nitric acid/ Ammonium nitrate	**469.7**	323.9	45	**1,680**	1,693	(1)	**$ 279.52**	$ 191.34	46
	1,821.2	1,173.2	55	**3,987**	4,323	(8)	**$ 456.81**	$ 271.47	68
Cost of goods sold	**1,127.0**	789.0	43				**$ 282.69**	$ 182.60	55
Gross margin	**694.2**	384.2	81				**$ 174.12**	$ 88.87	96
Other miscellaneous and purchased product									
Net sales	**160.2**	84.5	90						
Cost of goods sold	**134.9**	69.3	95						
Gross margin	**25.3**	15.2	66						
Gross Margin	**$ 719.5**	$ 399.4	80				**$ 180.46**	$ 92.39	95

(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.

<u>Highlights</u>

Nitrogen operations contributed a record $324.1 million in the third quarter, up 162 percent from the $123.9 million in last year s third quarter. High global energy prices and very tight world ammonia supplies (due to planned and unplanned turnarounds in various nitrogen-producing countries around the world) mitigated the traditional seasonal weakening of nitrogen markets in the third quarter. This raised segment gross margin for the first nine months of 2008 to $719.5 million, 80 percent ahead of the first nine months of 2007.

Average natural gas costs, including hedging gains, increased to $9.36 per MMBtu compared to $3.94 per MMBtu for the same period in 2007, and to $7.95 per MMBtu in the first nine months of 2008 from $4.26 per MMBtu for the same period in 2007. These increases were due to higher US natural gas prices and Tampa ammonia prices to which our Trinidad natural gas is primarily indexed.

Trinidad generated a record $175.6 million (54 percent) in third quarter gross margin, while our US operations contributed a record $148.0 million (46 percent) as we capitalized on lower US natural gas costs and optimized our mix of ammonia and downstream nitrogen products to maximize gross margin. For the first nine months of 2008, Trinidad generated $363.5 million (51 percent) of gross margin, while our US operations contributed $335.7 million (47 percent). Hedging gains on our US natural gas added $0.5 million and $20.3 million to gross margin in the third quarter and first nine months, respectively. Compared to the trailing quarter, hedging gains decreased $11.4 million due to the decline in natural gas prices relative to our position.

Nitrogen gross margin variance attributable to:

Dollars (millions)	Three Months Ended September 30 2008 vs. 2007				Nine Months Ended September 30 2008 vs. 2007			
		Change in Prices/Costs				Change in Prices/Costs		
	Change in Sales Volumes	Net Sales	Cost of Goods Sold	Total	Change in Sales Volumes	Net Sales	Cost of Goods Sold	Total
Manufactured product								
Ammonia	$ (3.1)	$ 203.2	$ (95.9)	$ 104.2	$ (41.0)	$ 387.3	$ (181.5)	$ 164.8
Urea	(18.3)	126.4	(36.8)	71.3	(27.8)	218.0	(78.1)	112.1
Solutions, NA, AN	(2.1)	79.7	(50.0)	27.6	(5.1)	148.2	(90.3)	52.8
Hedge	-	-	(9.5)	(9.5)	-	-	(21.0)	(21.0)
Change in market mix	9.3	(9.1)	-	0.2	14.9	(14.2)	0.6	1.3
Total manufactured product	$ (14.2)	$ 400.2	$ (192.2)	193.8	$ (59.0)	$ 739.3	$ (370.3)	310.0
Other miscellaneous and purchased product				6.4				10.1

Total	$ 200.2	$ 320.1

Sales and Cost of Goods Sold

The total gross margin increase of $200.2 million quarter over quarter was primarily attributable to the following changes:

Ammonia prices were up by 147 percent from last year s third quarter and 27 percent from the trailing quarter mainly because of strong demand and disruptions in the global supply of traded ammonia in major producing regions. China s efforts to limit fertilizer exports, combined with strong agricultural demand primarily from India, contributed to realized urea prices rising 134 percent from the third quarter of 2007 and 46 percent from second-quarter 2008. The higher value of upgraded ammonia pushed nitrogen solution prices 80 percent higher than those realized in the third quarter last year and 19 percent above the trailing quarter.

A scheduled 28-day turnaround at our Trinidad urea plant contributed to a 21 percent reduction in urea sales volumes from last year s third quarter. Sales volumes on ammonia were down 6 percent quarter over quarter due to reduced availability of product caused by production issues at our Trinidad operations, while nitrogen solutions sales volumes were 36 percent higher on strong demand.

Per-tonne cost of goods sold increased by 83 percent due to rising input costs in Trinidad and the US. Our total average natural gas cost for the third quarter, including our hedge, was 138 percent higher than in the same quarter last year. Our Trinidad gas cost is primarily indexed to Tampa ammonia prices, which ranged between $585-$931 per tonne in third quarter 2008 as compared to $295-$303 per tonne in the same quarter of 2007. Spot natural gas costs in the US rose 64 percent while gains from our US natural gas hedging activities declined $9.5 million. The price variance in ammonia was significantly higher than urea and other nitrogen products, due to a higher proportion of the costs coming from Trinidad, which not only experienced the higher cost of an extended maintenance shutdown but also experienced higher gas costs (202 percent increase) due to higher indexed prices.

Total nitrogen gross margin grew each quarter in 2008 and 2007 as follows:

Total gross margin increased $320.1 million year over year primarily as a result of the following changes:

Nitrogen solutions prices were 55 percent higher and contributed $88.6 million to the gross margin increase, while nitric acid and ammonium nitrate prills increased 47 percent and 22 percent, respectively, contributing $30.1 million and $22.8 million, respectively, to the gross margin increase. Prices were significantly higher in all three quarters compared to last year due to strong world demand for agricultural and industrial nitrogen, higher global natural gas costs, significant disruptions in traded global ammonia supply and a Chinese export tax.

Manufactured sales volumes of ammonia were 14 percent below last year as Trinidad sales were reduced by approximately 261,000 tonnes due to scheduled plant maintenance. Urea sales volumes were down 10 percent due to reduced production caused by the third quarter scheduled turnaround and weaker demand in the third quarter.

Manufactured cost of goods sold increased 43 percent mainly due to the 87 percent increase in average natural gas costs. Our natural gas costs in Trinidad increased 117 percent while our US natural gas spot costs increased 42 percent. Gains from our US natural gas hedging activities declined $21.0 million. Ammonia had a greater affect on the increase in cost of goods sold than urea and other nitrogen products as a higher proportion of ammonia sales are attributable to our Trinidad production (75 percent in the first nine months of 2008 and 81 percent in the first three quarters of 2007) compared to urea sales (48 percent in 2008 and 55 percent in 2007). A higher proportion of other nitrogen products sales are attributable to US production.

Phosphate

	Three Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average Price per Tonne[1]		
	2008	**2007**	**% Change**	**2008**	**2007**	**% Change**	**2008**	**2007**	**% Change**
Sales	**$ 1,080.2**	$ 431.6	150						
Freight	**27.3**	26.9	1						
Transportation and distribution	**8.8**	9.4	(6)						
Net sales	**$ 1,044.1**	$ 395.3	164						
Manufactured product									
Net sales									
Fertilizer liquids	**$ 335.2**	$ 79.2	323	**271**	252	8	**$ 1,238.35**	$ 315.35	293
Fertilizer solids	**382.4**	167.0	129	**352**	416	(15)	**$ 1,084.98**	$ 400.77	171
Feed	**160.7**	65.1	147	**155**	185	(16)	**$ 1,040.00**	$ 351.39	196
Industrial	**157.7**	71.4	121	**191**	183	4	**$ 825.00**	$ 391.79	111
	1,036.0	382.7	171	**969**	1,036	(6)	**$ 1,069.38**	$ 369.65	189
Cost of goods sold	**531.8**	255.6	108				**$ 549.05**	$ 246.97	122
Gross margin	**504.2**	127.1	297				**$ 520.33**	$ 122.68	324
Other miscellaneous and purchased product									
Net sales	**8.1**	12.6	(36)						
Cost of goods sold	**5.1**	9.8	(48)						
Gross margin	**3.0**	2.8	7						
Gross Margin	**$ 507.2**	$ 129.9	290				**$ 523.43**	$ 125.39	317

	Nine Months Ended September 30								
	Dollars (millions)			Tonnes (thousands)			Average Price per Tonne[1]		
	2008	2007	% Change	2008	2007	% Change	2008	2007	% Change
Sales	**$ 2,375.4**	$ 1,147.9	107						
Freight	**89.2**	79.8	12						
Transportation and distribution	**25.2**	24.6	2						
Net sales	**$ 2,261.0**	$ 1,043.5	117						
Manufactured product									
Net sales									
Fertilizer liquids	**$ 558.9**	$ 189.0	196	**720**	687	5	**$ 776.74**	$ 275.31	182
Fertilizer solids	**913.7**	424.5	115	**989**	1,193	(17)	**$ 923.62**	$ 355.80	160
Feed	**396.1**	191.2	107	**552**	596	(7)	**$ 717.95**	$ 320.48	124
Industrial	**354.1**	203.3	74	**549**	541	1	**$ 644.71**	$ 375.99	71
	2,222.8	1,008.0	121	**2,810**	3,017	(7)	**$ 791.11**	$ 334.12	137
Cost of goods sold	**1,228.2**	725.3	69				**$ 437.16**	$ 240.42	82
Gross margin	**994.6**	282.7	252				**$ 353.95**	$ 93.70	278
Other miscellaneous and purchased product									
Net sales	**38.2**	35.5	8						
Cost of goods sold	**28.7**	27.3	5						
Gross margin	**9.5**	8.2	16						
Gross Margin	**$ 1,004.1**	$ 290.9	245				**$ 357.33**	$ 96.42	271

(1) Rounding differences may occur due to the use of whole dollars in per-tonne calculations.

Highlights

Record third-quarter phosphate gross margin of $507.2 million was almost four times the $129.9 million generated in last year s third quarter, surpassing the full-year 2007 phosphate gross margin of $432.8 million. Our phosphate gross margin grew to $1,004.1 million in the first nine months of 2008, 245 percent higher than in the first nine months of 2007.

Average net sales price per tonne increased 189 percent during the quarter and 137 percent during the first nine months compared to the same periods in 2007, due to strong global agricultural demand and constrained fertilizer shipments from China and rising sulfur and ammonia inputs. With an integrated supply of phosphate rock, our gross margins are less impacted by rising input costs than non-integrated phosphate producers.

After several quarters of a lag in pricing compared to solid fertilizers, the increasing value of phosphoric acid was reflected in higher liquid fertilizer and feed phosphate prices. This resulted in liquid fertilizers contributing $198.9 million in gross margin in third quarter 2008, while solid fertilizers contributed $183.7 million. Feed phosphate added $81.5 million and industrial products, which are sold on longer-term contracts and have not yet fully captured the benefit of higher phosphoric acid value, generated $40.2 million.

Overall sales volumes decreased 6 percent for the quarter and 7 percent for the first nine months due to decreased demand for solid fertilizer and feed products.

Phosphate gross margin variance attributable to:

Dollars (millions)	**Three Months Ended September 30 2008 vs. 2007**				**Nine Months Ended September 30 2008 vs. 2007**			
		Change in Prices/Costs				**Change in Prices/Costs**		
	Change in Sales Volumes	**Net Sales**	**Cost of Goods Sold**	**Total**	**Change in Sales Volumes**	**Net Sales**	**Cost of Goods Sold**	**Total**
Manufactured product								
Fertilizer liquids	$ 3.3	$ 250.3	$ (81.0)	$ 172.6	$ 5.5	$ 360.9	$ (147.2)	$ 219.2
Fertilizer solids	(16.7)	241.5	(103.2)	121.6	(42.0)	561.5	(191.7)	327.8
Feed	(7.0)	105.7	(31.8)	66.9	(10.2)	219.3	(70.1)	139.0
Industrial	2.5	83.0	(64.4)	21.1	3.8	147.6	(128.2)	23.2
Change in market mix	2.3	(2.3)	(5.1)	(5.1)	5.4	(5.3)	2.6	2.7
Total manufactured product	$ (15.6)	$ 678.2	$ (285.5)	377.1	$ (37.5)	$ 1,284.0	$ (534.6)	711.9
Other miscellaneous and purchased product				0.2				1.3
Total				$ 377.3				$ 713.2

Sales and Cost of Goods Sold

Quarter over quarter total gross margin increased $377.3 million, largely as a result of the following changes:

Liquid fertilizer prices increased to $1,238 per tonne in the third quarter or 293 percent above the same quarter last year and 82 percent higher than the trailing quarter due to increased demand and rising input costs, contributing $198.9 million to gross margin. Prices for our other phosphate products also increased significantly due to similar economic fundamentals. Prices for solid fertilizer ($1,085 per tonne) and feed ($1,040 per tonne) rose 171 percent and 196 percent, respectively, contributing $183.7 million and $81.5 million, respectively, to gross margin. Realized industrial prices of $825 per tonne rose 111 percent, trailing the pricing increases for our other products due to several contracts with pricing that will not reset until early 2009.

Our North American solid phosphate fertilizer sales volumes declined 38 percent, as the late spring season resulted in higher dealer inventories entering the third quarter and the fall application season was delayed by the late harvest. Accordingly, we directed more phosphoric acid to higher-netback and higher-demand liquid fertilizers in North America, increasing sales volumes for this product 16 percent quarter over quarter. Total feed phosphate sales volumes declined 16 percent as a result of weakening economics for US beef, pork and poultry producers in the US and lower offshore demand. Industrial sales volumes remained strong, up 4 percent over the same quarter last year and 15 percent higher than the trailing quarter.

Per-tonne cost of goods sold increased 122 percent mainly due to sulfur costs which increased 577 percent and impacted the change in gross margin by $219.5 million, while a 94 percent increase in ammonia prices further negatively impacted the gross margin change (particularly, solid fertilizers) by $24.5 million. Temporary mill issues at Aurora and continued low mine recovery rates at White Springs caused phosphate rock costs to increase 24 percent. The industrial products proportion of costs of goods sold is higher than its proportion of tonnes sold due to the use of purchased rock used at Geismar which costs more than mined rock used at Aurora. In addition, a planned turnaround at Geismar (where primarily all product is sold for industrial uses) resulted in a higher proportion of fixed costs being allocated to industrial products.

Total phosphate gross margin grew each quarter in 2008 and 2007 as follows:

The year over year total gross margin increase of $713.2 million was primarily attributable to the following changes:

All major phosphate product prices increased due to escalated demand, higher input costs and a Chinese export tax throughout the first nine months of 2008.

Solid phosphate fertilizer sales volumes were 17 percent below those in last year s first nine months largely as a result of the delayed spring season and our switch in focus to higher-margin liquid fertilizer. Liquid fertilizer sales volumes increased 5 percent due to increased demand in the US. Feed product sales volumes declined 7 percent due to increased sales prices and weak economics for beef, pork and poultry.

The increase in cost of goods sold was impacted by higher input costs. In particular, a 347 percent increase in sulfur cost reduced gross margin by $392.0 million, and ammonia prices that were 59 percent higher reduced gross margin (particularly solid fertilizers) by a further $46.4 million. Temporary mill issues encountered at Aurora and low mine recovery rates at White Springs increased costs further.

Expenses and Other Income

	Three Months Ended September 30				**Nine Months Ended September 30**			
Dollars (millions)	**2008**	**2007**	**Dollar Change**	**% Change**	**2008**	**2007**	**Dollar Change**	**% Change**
Selling and administrative	**$ 31.7**	$ 43.9	(12.2)	$ (28)	**$ 158.6**	$ 158.0	$ 0.6	-
Provincial mining and other taxes	**172.0**	28.2	143.8	510	**434.4**	95.3	339.1	356
Foreign exchange (gain) loss	**(37.4)**	25.9	(63.3)	n/m	**(63.2)**	67.4	(130.6)	n/m

Other income	**140.0**	29.1	110.9	381	**255.2**	111.3	143.9	129
Interest expense	**15.3**	12.7	2.6	20	**42.2**	59.0	(16.8)	(28)
Income taxes	**463.3**	150.4	312.9	208	**1,010.3**	351.0	659.3	188

n/m = not meaningful

Selling and administrative expenses decreased quarter over quarter due to the impact of a decline in the price of our common shares on the valuation of deferred share units. Selling and administrative expenses during the first nine months of 2008 were flat year over year as a decrease in the value of deferred share units was offset by higher consulting costs associated with improving the logistics of our transportation and distribution system and increased legal expenses.

Provincial mining and other taxes increased principally due to higher potash prices impacting our Saskatchewan Potash Production Tax and corporate capital tax. Saskatchewan s Potash Production Tax is comprised of a base tax per tonne of product sold and an additional tax based on mine profits. The profit tax component was over nine times more in the third quarter of 2008 and six times more in the first nine months of 2008 than the same periods in 2007, largely because Saskatchewan-produced potash gross margin increased 268 percent and 235 percent, respectively. Corporate capital tax expense more than doubled quarter over quarter and year over year with higher potash sales revenues, though the effect was partially offset by changes enacted by the Province of Saskatchewan in 2006 to reduce the capital tax resource surcharge from 3.6 percent to 3 percent over three years, with a 0.3 percentage point reduction effective July 1, 2006, a 0.2 percentage point reduction effective July 1, 2007 and a 0.1 percentage point reduction effective July 1, 2008.

The impact of a weaker Canadian dollar relative to the US dollar on the period-end translation of Canadian dollar denominated monetary items on the Consolidated Statement of Financial Position, partially offset by losses realized on treasury activity, contributed to a foreign exchange gain of $37.4 million during the third quarter and $63.2 million during the first nine months of 2008. In comparison, the Canadian dollar strengthened relative to the US dollar in the third quarter and first nine months of 2007.

Other income increased $110.9 million (almost five-fold) quarter over quarter and $143.9 million (more than double) year over year. Our share of earnings from equity investments in APC and SQM increased $93.9 million in the third quarter of 2008 and $134.8 million in the first nine months as a result of the same global conditions that drove our positive performance. This increase was supplemented during the first nine months of 2008 by a $25.3 million gain recognized in the first quarter resulting from the change in fair value of the company s forward purchase contract to acquire additional shares of Sinofert. However, a $71.3 million provision for other-than-temporary impairment of auction rate securities recorded in other income in the first nine months of 2008 (of which $27.5 million was recognized during the third quarter) partially offset the increases. These provisions were in addition to $26.5 million taken in the fourth quarter of 2007.

The interest expense category increased $2.6 million compared to the third quarter of 2007 and declined $16.8 million compared to the first nine months. Weighted average balances of debt obligations outstanding and the associated interest rates were as follows:

	Three Months Ended September 30				Nine Months Ended September 3			
s (millions) Except percentage amounts	**2008**	**2007**	**Change**	**% Change**	**2008**	**2007**	**Change**	**C**
erm debt obligations, including current								
ted average outstanding	**$ 1,358.3**	$ 1,423.8	$ (65.5)	(4.6)	**$ 1,358.4**	$ 1,617.3	$ (258.9)	
ted average interest rate	**6.5%**	6.5%	-	-	**6.5%**	6.6%	(0.1)%	

erm debt obligations										
ted average outstanding	**$**	**672.4**	$	87.5	$	584.9	668	**$**	**389.1**	$	97.2	$	291.9
ted average interest rate		**2.8%**		5.5%		(2.7)%	(49)		**2.9%**		5.5%		(2.6)%

The lower average balance of long-term debt obligations outstanding in the third quarter and first nine months of 2008 compared to the same periods in 2007 (when the overlap of $500.0 million of notes issued in December 2006, prior to the repayment of $400.0 million of notes in June 2007, increased the average outstanding balance) led interest expense on long-term debt to decline $0.5 million and $15.1 million, respectively. The effect of higher capitalized interest during 2008 reduced the balance by a further $7.5 million in the third quarter and $17.6 million in the first nine months. The company used cash on hand and its short-term debt facilities to repurchase common shares throughout the third quarter and first nine months of 2008 causing cash to decrease and weighted average outstanding short-term debt to increase from December 31, 2007. Consequently, interest expense on short-term debt increased $8.8 million during the quarter and $9.3 million for the nine months ended September 30, 2008 while interest income on invested cash declined $1.8 million and $6.6 million in the same periods, respectively.

The company s consolidated reported income tax rate for the three months ended September 30, 2008 was 27 percent (2007 38 percent) and for the nine months ended September 30, 2008 was 27 percent (2007 33 percent). For the three and nine months ended September 30, 2008, the consolidated effective income tax rate was 29 percent (2007 33 percent). Items to note include the following:

A scheduled one and a half percentage point reduction in the Canadian federal income tax rate applicable to resource companies along with the elimination of the one percent surtax became effective at the beginning of 2008. In addition, there was an increase in permanent deductions in the US.

In the third quarter of 2008, a current income tax recovery of $29.1 million was recorded that related to an increase in permanent deductions in the US from prior years. This is in addition to the future income tax recovery of $42.0 million that was recorded in the first quarter of 2008.

Future income tax assets were written down by $11.0 million during the second quarter of 2008.

The $25.3 million gain recognized in first-quarter 2008 as a result of the change in fair value of the forward purchase contract for shares in Sinofert was not taxable.

For the first nine months of 2008, 90 percent of the effective income tax rate pertained to current income taxes and 10 percent related to future income taxes (exclusive of the income tax recoveries and other discrete items). The increase in the current income tax provision from 65 percent in the same period last year was largely due to the increase in nitrogen and phosphate operating income in the US, a jurisdiction where, as of December 31, 2006, we had federal income tax loss carryforwards of approximately $372.3 million that were available to offset this income; this total was reduced to nil as of December 31, 2007.

Current Market Conditions

The recent global financial crisis has tightened liquidity in the financial markets and has damaged investor confidence in global equity markets, leading to significant declines in global market indices and negatively impacting the value of publicly-traded securities of many companies. The company has evaluated and summarized selected aspects of the company s business and financial condition that could be affected by these macro-economic conditions as they currently exist.

The company has had record cash flows from operations as a result of strong earnings and expects to be able to complete previously announced expansion plans, manage the share repurchase program and sustain sufficient cash resources for current requirements. Although the commercial paper market has had some constraints, liquidity in the market has improved. The company s liquidity position remains strong and the short-term need for additional debt financing is expected to be limited given the strength of the company s financial position and cash flows. The company continues to have access to debt financing under existing bank credit facilities. The current ratings on the company s long-term debt are Baa1 with a stable outlook from Moody s and A- with a stable outlook from Standard & Poor s.

While market values of our intercorporate investments in other publicly traded companies have decreased from previous highs during the year, the market values continue to exceed cost and these investments have continued to generate earnings and/or dividends to the company, as applicable. As discussed above, our investments in auction rate securities continue to remain illiquid.

The decline in plan asset valuations in the company s defined benefit pension plans may require future increases in additional contributions from the company, if current market conditions persist and there are no offsetting reductions to rates used to discount benefit obligations. Future contribution expectations will be determined when actuarial valuations are complete as at December 31, 2008, however, the company does not expect an adverse effect on future cash flows if contributions in excess of previous estimates are determined to be necessary.

The company evaluates the creditworthiness of its major customers on an ongoing basis and there were no significant changes to such customers ability to pay for product orders during the third quarter. The company will continue to manage the credit risk relating to its trade receivables through its credit management program and customers that fail to meet specified benchmark credit standards may be required to transact with the company on a prepayment basis.

The carrying values of our inventories were considered in the context of our accounting policy to record inventories at the lower of average cost and market. No impairments were recorded as of September 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash Requirements

The following aggregated information about our contractual obligations and other commitments aims to provide insight into our short- and long-term liquidity and capital resource requirements. The information presented in the table below does not include obligations that have original maturities of less than one year or planned capital expenditures.

Contractual Obligations and Other Commitments

Dollars (millions)	**September 30, 2008 Payments Due By Period**				
	Total	**Within 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**
Long-term debt obligations	$ 1,358.3	$ 0.2	$ 602.2	$ 255.9	$ 500.0
Estimated interest payments on long-term debt obligations	1,073.2	96.4	192.7	90.6	693.5
Operating leases	696.5	102.5	171.8	146.0	276.2
Purchase obligations(1)	833.8	184.0	244.6	149.1	256.1
Other commitments	68.5	23.0	22.1	6.6	16.8
Other long-term liabilities	1,296.3	113.4	82.6	51.9	1,048.4
Total	$ 5,326.6	$ 519.5	$ 1,316.0	$ 700.1	$ 2,791.0

(1) Sulfur purchase obligations have been priced using expected prices as at November 5, 2008.

Long-term Debt

Long-term debt consists of $1,350.0 million of senior notes issued under US shelf registration statements, a net of $5.9 million under back-to-back loan arrangements (described in Note 13 to the consolidated financial statements in our 2007 financial review annual report) and other commitments of $2.4 million payable over the next 5 years.

The senior notes represent more than 99 percent of our total long-term debt obligations portfolio and are unsecured. Of the $1,350.0 million senior notes outstanding, $600.0 million bear interest at 7.750 percent and mature in 2011, $250.0 million bear interest at 4.875 percent and mature in 2013 and $500.0 million bear interest at 5.875 percent and mature in 2036. There are no sinking fund requirements. The senior notes are not subject to any financial test covenants but are subject to certain customary covenants (including limitations on liens and sale and leaseback transactions) and events of default, including an event of default for acceleration of other debt in excess of $50.0 million. The other long-term debt instruments are not subject to any financial test covenants but are subject to certain customary covenants and events of default, including, for other long-term debt, an event of default for non-payment of other debt in excess of $25.0 million. Non-compliance with such covenants could result in accelerated payment of the related debt. The company was in compliance with all covenants as at September 30, 2008. Under certain conditions related to change in control, the company is required to make an offer to purchase all, or any part, of the senior notes due 2036 at 101 percent of the principal amount of the senior notes repurchased, plus accrued interest.

The estimated interest payments on long-term debt obligations in the table above include our cumulative scheduled interest payments on fixed and variable rate long-term debt. Interest on variable rate debt is based on interest rates prevailing at September 30, 2008.

Operating Leases

We have long-term operating lease agreements for buildings, port facilities, equipment, ocean-going transportation vessels and railcars, the latest of which expires in 2025. The most significant operating leases consist of three items. The first is our lease of railcars, which extends to approximately 2025. The second is the lease of port facilities at the Port of Saint John for shipping New Brunswick potash offshore, which runs until 2018. The third is the lease of four vessels for transporting ammonia from Trinidad. One vessel agreement runs until 2018; the others terminate in 2016.

Purchase Obligations

We have long-term agreements for the purchase of sulfur for use in the production of phosphoric acid. These agreements provide for minimum purchase quantities and certain prices are based on market rates at the time of delivery. The commitments included in the table above are based on current contract prices.

We have entered into long-term natural gas contracts with the National Gas Company of Trinidad and Tobago Limited, the latest of which expires in 2018. The contracts provide for prices that vary primarily with ammonia market prices, escalating floor prices and minimum purchase quantities. The commitments included in the table above are based on floor prices and minimum purchase quantities.

We also have long-term agreements for the purchase of phosphate rock used at our Geismar facility. The commitments included in the table above are based on the expected purchase quantity and current net base prices.

Other Commitments

Other operating commitments consist principally of amounts relating to various rail freight contracts, the latest of which expires in 2010, and mineral lease commitments, the latest of which expires in 2029.

Other Long-term Liabilities

Other long-term liabilities consist primarily of net accrued pension and other post-retirement benefits, future income taxes, environmental costs and asset retirement obligations.

Future income tax liabilities may vary according to changes in tax laws, tax rates and the operating results of the company. Since it is generally impractical to determine whether there will be a cash impact in any particular year, all long-term future income tax liabilities have been reflected in the over 5 years category in the table above.

Capital Expenditures

During 2008, we expect to incur capital expenditures, including capitalized interest, of approximately $905 million for opportunity capital, approximately $265 million to sustain operations at existing levels and approximately $15 million for site improvements.

The most significant project on which funds will be spent in 2008 relates to a major debottlenecking and expansion project that will increase potash production at our Cory, Saskatchewan operation by 2.2 million tonnes from 2006 levels, increasing capacity there to 3.0 million tonnes including 750,000 tonnes of new compaction capacity. The project is comprised of an initial project on which work began in May 2007, plus an increase in the scope announced in July 2008. The initial project, which is a 1.2-million-tonne-per-year debottlenecking and expansion project initiated in 2007, is scheduled for completion by July 2010. The additional project announced in July 2008 will add 1 million tonnes with construction and ramp-up of the project completed by the end of 2012. The initial project is expected to cost approximately Cdn $892 million, plus capitalized interest and the additional work has an estimated cost of Cdn $220 million. We expect to spend Cdn $240 million, plus capitalized interest, on these projects in 2008.

We expect to spend Cdn $152 million, plus capitalized interest, in 2008 on our 2-million-tonne-per-year potash mine and expanded milling operations in New Brunswick. The four-year construction project has an estimated cost of Cdn $1,660 million, plus capitalized interest, which includes Cdn $100 million for additional upgraded granular production capability. Construction of the mill expansion is expected to be complete at the end of the fourth quarter of 2011.

Construction on the project at our Lanigan, Saskatchewan operation which brought back idled potash capacity of 1.5 million tonnes, including the mill refurbishment and expansion of surface, hoisting and underground facilities, was substantially completed at the end of the second quarter of 2008. During 2008, Cdn $103 million, plus capitalized interest, will be spent on this project.

Our project to bring back 360,000 tonnes of previously idled potash capacity at our Patience Lake, Saskatchewan solution mine will complete main construction by the end of 2008, allowing full capacity in 2009. Approximately Cdn $106 million, plus capitalized interest, will be invested in the Patience Lake construction for 22 additional injection wells, an additional recovery well plus the necessary pumping and piping systems along with minor mill modifications. Cdn $63 million of the Cdn $106 million is expected to be spent in 2008 at Patience Lake.

Approximately Cdn $65 million, plus capitalized interest, will be spent on expanding the loadout capacity at our Allan, Saskatchewan site so that delivery efficiency can be increased, of which Cdn $60 million is expected to be spent in 2008.

At our Rocanville, Saskatchewan plant we announced a project in 2007 that will bring over 2.0 million tonnes of additional capacity to the plant. The project, which requires a new mine shaft and extensive expansion to the existing mill site, will take five years to complete. In July 2008, we announced an increase in scope of this project such that an additional 700,000 tonnes of capacity expansion will be incorporated into the 2-million-tonne mine and mill project. With an additional investment of Cdn $1.0 billion, the project now is expected to add a total of 2.7 million tonnes at a cost of Cdn $2.8 billion and raise the facility s annual capacity to 5.7 million tonnes. Construction is scheduled for completion at the end of 2012 with ramp-up over the following two years. Expected expenditures in 2008 are modest at Cdn $45 million.

In addition to the debottlenecking and expansion projects announced at Cory and Rocanville in July 2008, we also announced a debottlenecking project at our Allan, Saskatchewan operation which will add 1.0 million tonnes of annual production capability and raise its annual capacity to 3.0 million tonnes per year. Construction and ramp-up are scheduled for completion by the end of 2012. This project, which follows a 400,000-tonne expansion completed in 2007, has an estimated cost of Cdn $350 million, plus capitalized interest, of which Cdn $10 million is expected to be spent in 2008.

In the phosphate division, we began construction of a new sulfuric acid plant at our Aurora, North Carolina facility in 2007. The total cost of this project is approximately $260 million, plus capitalized interest, with $24 million of this spent in 2007 and $93 million projected to be spent in 2008. The project is scheduled to be completed in the fourth quarter of 2009.

We anticipate that all capital spending will be financed by internally generated cash flows supplemented, if and as necessary, by borrowing from existing financing sources.

Investment Risk Liquidity

Investments in Auction Rate Securities

Investments include auction rate securities with maturities extending through 2046. The securities include credit linked notes with a face value of $48.3 million and collateralized debt obligations with a face value of

$84.2 million. All investments were rated AAA when acquired. Investments ratings now are, and have been in prior comparative periods, as follows:

	November 5, 2008		August 6, 2008		May 9, 2008		February 28, 2008	
Face Value (Millions)	Credit Rating, Agency 1	Credit Rating, Agency 2	Credit Rating, Agency 1	Credit Rating, Agency 2	Credit Rating, Agency 1	Credit Rating, Agency 2	Credit Rating, Agency 1	Credit Rating, Agency 2
$ 5.0	Aaa	AAA	Aaa	AAA	Aaa	AAA	Aaa	AAA
20.0	AAA	A	AAA	AAA, C/W	Aaa	AAA	Aaa	AAA
28.3	AAA	BBB	AAA	A	Aaa	AAA	Aaa	AAA
25.0	Caa3, C/W	CC	Ba1, C/W	BBB	A3, C/W	B	Aaa, C/W	AAA, C/W
34.4	B2, C/W	AAA, C/W	B2, C/W	AAA	Aaa, C/W	AAA	Aaa	AAA
19.8	Ca	CC	Ca	B, C/W	Baa3	B	Baa3	AAA, C/W

C/W = on Credit Watch with negative implications

As of September 30, 2008, the balance recorded in investments related to these auction rate securities was $34.7 million (face value $132.5 million), resulting in a loss of $97.8 million reflected, in part, in the quarters ended December 31, 2007, March 31, 2008, June 30, 2008 and September 30, 2008. The impairment represents the company s estimate of diminution in value as of September 30, 2008 resulting from the current lack of liquidity for these investments and the challenging sub-prime mortgage and housing markets at period-end, which create uncertainty as to the ultimate recoverability. The entire decline in value was considered other-than-temporary. We have commenced an arbitration proceeding against the investment firm that purchased the securities for our account without our authorization, and we intend to pursue our claim vigorously.

We are exposed to liquidity and credit risk on investments in auction rate securities due to the current lack of liquidity that has existed since August 2007; therefore the securities are being held in our account for longer than the approximate 28 days that was originally anticipated. We are uncertain as to when the liquidity for such securities will improve. As a result, during the fourth quarter of 2007, we reclassified the investments from short-term to long-term, reflecting that liquidity may not return within 12 months and that, if necessary, we may hold the investments for a longer period of time, as we are able to.

Sources and Uses of Cash

The company s cash flows from operating, investing and financing activities, as reflected in the unaudited interim Condensed Consolidated Statements of Cash Flow, are summarized in the following table:

	Three Months Ended September 30				Nine Months Ended September 30			
Dollars (millions)	**2008**	**2007**	**$ Change**	**% Change**	**2008**	**2007**	**$ Change**	**% Change**
	$ 913.0	$ 311.6	$ 601.4	193	**$ 2,249.9**	$ 1,157.3	$ 1,092.6	94

Cash provided by operating activities								
Cash (used in) investing activities	**(394.9)**	(296.6)	(98.3)	33	**(1,092.3)**	(530.8)	(561.5)	106
Cash (used in) financing activities	**(288.5)**	(22.2)	(266.3)	n/m	**(1,377.6)**	(509.7)	(867.9)	170

n/m = not meaningful

The following table presents summarized working capital information as at September 30, 2008 compared to December 31, 2007:

Dollars (millions) except ratio amounts	**September 30, 2008**	**December 31, 2007**	**Change**	**% Change**
Current assets	**$ 2,690.2**	$ 1,811.3	$ 878.9	49
Current liabilities	**$ (3,144.8)**	$ (1,001.9)	$ (2,142.9)	214
Working capital	**$ (454.6)**	$ 809.4	$ (1,264.0)	n/m
Current ratio	**0.86**	1.81	(0.95)	(52)

n/m = not meaningful

Working capital is negative primarily due to the use of short-term debt to repurchase common shares under our normal course issuer bid through the first nine months of 2008. Liquidity needs can be met through a variety of sources, including: cash generated from operations, short-term borrowings against our lines of credit, draw-downs under our syndicated credit facilities and long-term debt issued under our US shelf registration statements. Our primary uses of funds are operational expenses, sustaining and opportunity capital spending, intercorporate investments, dividends, interest and principal payments on our debt securities, and the repurchase of common shares.

Cash provided by operating activities increased $601.4 million quarter over quarter, largely attributable to the $993.0 million increase in net income. Cash flow from working capital changes declined $312.6 million from third-quarter 2007, with the largest reductions coming from the higher balance of accounts receivable this year due to price and timing of the higher sales during the quarter (reducing cash flow from working capital changes compared to last year by $181.7 million) and the higher balance of inventories driven by increased input costs (reducing cash flow from working capital changes by $166.7 million versus last year). Year over year, cash provided by operating activities was up $1,092.6 million. The $1,980.4 million increase in net income was offset in part by a $745.6 million reduction in cash flow from working capital changes. The higher balance of accounts receivable and inventories at the end of September 2008 compared to December 2007 reduced cash flow from working capital changes by $776.8 million and $360.5 million, respectively. During the same nine months in 2007, the increase in accounts receivable used $139.9 million while lower inventories added $51.6 million to operating cash flows. Offsetting these outflows was cash inflow from the change in accounts payable and accrued charges, which increased cash flow from changes in non-cash operating working capital by $338.8 million compared to the first nine months of 2007. Accounts payable and accrued charges increased during the first nine months of 2008 with higher income taxes payable, higher sulfur input costs (offset by lower natural gas costs) and payables associated with the potash expansion project activity that was underway. In the first nine months of 2007, accounts payable and accrued charges were up less in each of these areas.

Cash used in investing activities increased $98.3 million quarter over quarter and $561.5 million year over year. The most significant cash outlays during the first nine months of 2008 and 2007 included:

- During the first three months of 2008, $173.7 million was paid to settle the company s forward purchase contract for shares of Sinofert. During the first nine months of 2008, the company purchased an additional 191,620,000 shares in Sinofert for a total cost of $145.3 million. Net of the ownership interest dilution that resulted from the issuance of shares of Sinofert, the acquisitions increased the company s ownership interest in Sinofert to approximately 22 percent. During the first three months of 2007, $9.7 million was paid to settle outstanding amounts related to the December 2006 purchase of additional shares in SQM. During the third quarter of 2007, the company purchased an additional 1,011,062 shares of SQM for cash consideration of $16.8 million.

- Our spending on property, plant and equipment was $336.2 million in the third quarter of 2008 and $770.6 million in the first nine months of 2008, an increase of $191.1 million and $389.0 million compared to the same periods in 2007, respectively. Approximately 75 percent (2007 64 percent) of our consolidated capital expenditures for the third quarter related to the potash segment and 71 percent (2007 59 percent) related to the potash segment in the first nine months of 2008.

Cash used in financing activities rose $266.3 million during the third quarter and $867.9 million during the first nine months of 2008 compared to the corresponding periods in 2007. During the third quarter and the first nine months of 2008, we paid $1,005.8 million and $2,902.9 million, respectively, to settle repurchases of common shares under our normal course issuer bid. Offsetting this outflow were proceeds from short-term debt obligations that were $743.9 million in the third quarter and $1,586.3 million in the first nine months, compared to $5.5 million of short-term debt proceeds received in the third quarter of 2007 and $65.8 million of short-term debt being repaid during the first nine months of 2007. During the first nine months of 2007, we repaid $400.0 million of senior notes that matured in June.

We believe that internally generated cash flow, supplemented by borrowing from existing financing sources if necessary, will be sufficient to meet our anticipated capital expenditures and other cash requirements in 2008, exclusive of any possible acquisitions, as was the case in 2007. With the exception of current constraints in the commercial paper market at this time, we do not reasonably expect any presently known trend or uncertainty to affect our ability to access our historical sources of cash.

Principal Debt Instruments

	September 30, 2008			
Dollars (millions)	**Total Amount**	**Amount Outstanding**	**Amount Committed**	**Amount Available**
Syndicated credit facilities	$ 1,750.0	$ 1,100.0	$ 576.5(1)	$ 73.5
Line of credit	75.0	-	23.2	51.8
Commercial paper	750.0	576.5(1)	100.0(2)	73.5(2)
US shelf registrations	4,000.0	1,350.0	-	2,250.0(3)

(1) Per the terms of the agreement, the commercial paper outstanding or committed, as applicable, is based on the US dollar balance or equivalent thereof in lawful money of other currencies at the time of issue; therefore, subsequent changes in the exchange rate applicable to Canadian dollar denominated commercial paper have no impact on this balance.

(2) The amount available under the commercial paper program is limited to the availability of backup funds under the syndicated credit facilities. While $73.5 million of commercial paper was available under the terms of the commercial paper program, due to market conditions at September 30, 2008 the ability to issue commercial paper in the marketplace was limited. As of November 5, 2008, liquidity conditions in the commercial paper market have improved.

(3) $400.0 million of senior notes issued under one of the company s US shelf registration statements were repaid in full at maturity; no additional amount is available in respect of the principal of these senior notes.

We use a combination of short-term and long-term debt to finance our operations. We typically pay floating rates of interest on our short-term debt and fixed rates on our long-term debt. As of September 30, 2008, interest rates ranged from 3.3 percent to 3.9 percent on outstanding commercial paper denominated in Canadian dollars and 2.5 percent to 4.4 percent on outstanding commercial paper denominated in US dollars. Interest rates on borrowings under the credit facilities ranged from 2.9 percent to 5.5 percent.

Although the commercial paper market has had constraints, the company continues to have access to debt financing under existing bank credit facilities. We have two syndicated credit facilities that provide for unsecured advances. The first is a $750.0 million facility that is available through May 31, 2013. The second is a $750.0 million 364-day facility entered into during May 2008 and amended, as of July 29, 2008, to increase the facility to $1,000.0 million. The amount available to us is the total facilities amount less direct borrowings and amounts committed in respect of commercial paper outstanding. We also have a $75.0 million line of credit that is effective through May 2009. Outstanding letters of credit and direct borrowings reduce the amount available. The line of credit and both syndicated credit facilities have financial tests and other covenants with which we must comply at each quarter-end. Principal covenants under the credit facilities and line of credit require a debt-to-capital ratio of less than or equal to 0.60:1, a long-term debt-to-EBITDA (defined in the respective agreements as earnings before interest, income taxes, provincial mining and other taxes, depreciation, amortization and other non-cash expenses, and unrealized gains and losses in respect of hedging instruments) ratio of less than or equal to 3.5:1, tangible net worth greater than or equal to $1,250.0 million and debt of subsidiaries not to exceed $650.0 million. The syndicated credit facilities and line of credit are also subject to other customary covenants and events of default, including an event of default for non-payment of other debt in excess of Cdn $40.0 million. Non-compliance with any of the above covenants could result in accelerated payment of the debt owing under the syndicated credit facilities and line of credit, and termination of lenders further funding obligations under the syndicated credit facilities and line of credit. We were in compliance with all covenants as at September 30, 2008.

Commercial paper is normally a source of same day cash for the company. Access to this source of short-term financing depends primarily on maintaining our R1 low credit rating by DBRS and conditions in the money markets. The interest rates at which we issue long-term debt are partly based on the quality of our credit ratings, which are all investment grade. The company s investment grade rating as measured by Moody s senior debt ratings remained unchanged from December 31, 2007 at Baa1 with a stable outlook. Our investment grade rating as measured by Standard & Poor s senior debt ratings was upgraded in August 2008 from BBB+ with a positive outlook to A- with a stable outlook.

We also have US shelf registration statements under which we may issue up to an additional $2,250.0 million in senior notes or other debt securities.

For the first nine months of 2008 our weighted average cost of capital was approximately 12.46 percent (2007 10.08 percent), of which 96 percent represented equity (2007 95 percent).

Outstanding Share Data

The company had 301,850,331 common shares issued and outstanding at September 30, 2008 compared to 316,411,209 common shares issued and outstanding at December 31, 2007. During the third quarter of 2008, the company issued 217,844 common shares pursuant to the exercise of stock options and our dividend reinvestment plan (1,259,122 common shares during the first nine months of 2008) and repurchased 4,964,500 common shares under our normal course issuer bid (15,820,000 common shares during the first nine months of 2008). At September 30, 2008, there were 13,231,206 options to purchase common shares outstanding under the company s six stock option plans, as compared to 14,006,984 at December 31, 2007 under five stock option plans.

Off-Balance Sheet Arrangements

In the normal course of operations, PotashCorp engages in a variety of transactions that, under Canadian GAAP, are either not recorded on our Consolidated Statements of Financial Position or are recorded on our Consolidated Statements of Financial Position in amounts that differ from the full contract amounts. Principal off-balance sheet activities we undertake include issuance of guarantee contracts, certain derivative instruments and long-term fixed price contracts. We do not reasonably expect any presently known trend or uncertainty to affect our ability to continue using these arrangements. These types of arrangements are discussed below.

Guarantee Contracts

Refer to Note 16 to the unaudited interim condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for information pertaining to our guarantees.

Derivative Instruments

We use derivative financial instruments to manage exposure to commodity price, interest rate and foreign exchange rate fluctuations. Regardless of whether the derivatives are designated as hedges for Canadian GAAP purposes, they are recorded on the Consolidated Statements of Financial Position at fair value and marked-to-market each reporting period, except for certain non-financial derivatives that have qualified for and for which we have documented a normal purchase or normal sale exception in accordance with the accounting standards.

Long-term Fixed Price Contracts

Certain of our long-term raw materials agreements contain fixed price components. Our significant agreements, and the related obligations under such agreements, are discussed in Cash Requirements .

QUARTERLY FINANCIAL HIGHLIGHTS

ollars (millions) except er-share amounts	**September 30, 2008**	**June 30, 2008**	**March 31, 2008**	**December 31, 2007**	**September 30, 2007**	**June 30, 2007**	**March 31, 2007**	**December 3 2006**
ales	**$ 3,064.3**	$ 2,621.0	$ 1,890.6	$ 1,431.4	$ 1,295.0	$ 1,353.1	$ 1,154.7	$ 1,022.9
ross margin	**1,741.0**	1,437.3	856.0	535.0	475.1	501.4	369.7	299.3

let income		**1,236.1**	905.1	566.0	376.8	243.1	285.7	198.0	186.0
let income per share	basic	**4.07**	2.91	1.79	1.19	0.77	0.91	0.63	0.59
let income per share iluted		**3.93**	2.82	1.74	1.16	0.75	0.88	0.62	0.58

Net income per share for each quarter has been computed based on the weighted average number of shares issued and outstanding during the respective quarter; therefore, quarterly amounts may not add to the annual total.

Certain aspects of our business can be impacted by seasonal factors. Fertilizers are sold primarily for spring and fall application in both northern and southern hemispheres. However, planting conditions and the timing of customer purchases will vary each year and fertilizer sales can be expected to shift from one quarter to another. Most feed and industrial sales are by contract and are more evenly distributed throughout the year.

RELATED PARTY TRANSACTIONS

The company sells potash from its Saskatchewan mines for use outside of North America exclusively to Canpotex, a potash export, sales and marketing company owned in equal shares by the three potash producers in the Province of Saskatchewan. Sales to Canpotex for the quarter ended September 30, 2008 were $663.5 million (2007 $206.0 million). For the first nine months of 2008, these sales were $1,639.8 million (2007 $565.7 million). Sales to Canpotex are at prevailing market prices and are settled on normal trade terms.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited interim condensed consolidated financial statements, which have been prepared in accordance with Canadian GAAP. These principles differ in certain significant respects from accounting principles generally accepted in the United States. These differences are described and quantified in Note 17 to the unaudited interim condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

The accounting policies used in preparing the unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the 2007 annual consolidated financial statements, except as disclosed in Note 1 to the unaudited interim condensed consolidated financial statements. Certain of these policies involve critical accounting estimates because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. There have been no material changes to our critical accounting estimate policies in the first nine months of 2008.

We have discussed the development, selection and application of our key accounting policies, and the critical accounting estimates and assumptions they involve, with the audit committee of the Board of Directors, and our audit committee has reviewed the disclosures described in this section.

RECENT ACCOUNTING CHANGES

Refer to Note 1 to the unaudited interim condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for information pertaining to accounting changes effective in 2008, and Notes 1 and 17 to the unaudited interim condensed consolidated financial statements for information on issued accounting pronouncements that will be effective in future periods.

International Financial Reporting Standards

Of particular note is the area of International Financial Reporting Standards (IFRSs). In April 2008, the CICA published the exposure draft Adopting IFRSs in Canada . The exposure draft proposes to incorporate the IFRSs into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRSs. The exposure draft makes possible the early adoption of IFRSs by Canadian entities.

In June 2008, the Canadian Securities Administrators (CSA) published a staff notice that stated it is prepared to recommend exemptive relief on a case by case basis to permit a domestic Canadian issuer to prepare its financial statements in accordance with IFRSs for a financial period beginning before January 1, 2011. The US Securities and Exchange Commission (SEC) issued a final rule in January 2008 that would allow some foreign private issuers to use IFRSs, without reconciliation to US GAAP, effective for certain 2007 financial statements. In August 2008, the SEC also announced that it would seek public comments on a release that will include both a proposed roadmap for the potential mandatory adoption of IFRS by issuers in the US and a proposed rule that would allow the optional use of IFRS by certain qualifying domestic issuers. Provided it is appropriate to do so, we anticipate adopting IFRSs earlier than the CICA s mandatory adoption deadline of January 1, 2011.

The company has commenced the process to transition from current Canadian GAAP to IFRSs. It has established a project team that is led by finance management, and will include representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRSs. Regular progress reporting to the audit committee of the Board of Directors on the status of the IFRSs implementation project has been instituted.

The implementation project consists of three primary phases, which in certain cases will be in process concurrently as IFRSs is applied to specific areas from start to finish:

Scoping and diagnostic phase This phase involves performing a high-level impact assessment to identify key areas that may be impacted by the transition to IFRSs. As a result of these procedures the potentially affected areas are ranked as high, medium or low priority.

Impact analysis, evaluation and design phase In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority, with project teams established as deemed necessary. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRSs and development of draft IFRSs financial statement content.

Implementation and review phase This phase includes execution of changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across the company s finance and other staff, as necessary. It will culminate in the collection of financial information necessary to compile IFRSs-compliant financial statements, embedding IFRSs in business processes, elimination of any unnecessary data collection processes and audit committee approval of IFRSs financial statements. Implementation also involves delivery of further training to staff as revised systems begin to take effect.

The company completed the scoping and diagnostic phase in June, 2008, and is now in the impact analysis, evaluation and design phase. The company s analysis of IFRSs and comparison with currently applied accounting principles has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position. However, there may be significant changes following from the IFRSs accounting principles and provisions for first time adoption of IFRSs on certain areas. The company has not yet determined the full effects of adopting IFRSs.

Most adjustments required on transition to IFRSs will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

IFRS 1, First-Time Adoption of International Financial Reporting Standards , provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRSs. The company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the company s circumstances.

Set out below are the key areas where changes in accounting policies are expected that may impact the company s consolidated financial statements. The list and comments below should not be regarded as a complete list of changes that will result from transition to IFRSs. It is intended to highlight those areas we believe to be most significant; however, analysis of changes is still in process and not all decisions have been made where choices of accounting policies are available. We note that the regulatory bodies that promulgate Canadian GAAP and IFRSs have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRSs and their impact on the company s consolidated financial statements in future years. The future impacts of IFRSs will also depend on the particular circumstances prevailing in those years. The differences described below are those existing based on

Canadian GAAP and IFRSs today. At this stage, the company is not able to reliably quantify the impacts expected on its consolidated financial statements for these differences.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: firstly comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. International Accounting Standard (IAS) 36, Impairment of Assets , uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

However, the extent of any new write downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have reduced. Canadian GAAP prohibits reversal of impairment losses.

Employee Benefits

IAS 19, Employee Benefits , requires the past service cost element of defined benefit plans to be expensed on an accelerated basis, with vested past service costs expensed immediately and unvested past service costs recognized on a straight line basis until the benefits become vested. Under Canadian GAAP, past service costs are generally amortized on a straight line basis over the average remaining service period of active employees expected under the plan. In addition, actuarial gains and losses are permitted under IAS 19 to be recognized directly in equity rather than through profit or loss. IFRS 1, First-Time Adoption of International Financial Reporting Standards , also provides an option to recognize all cumulative actuarial gains and losses existing at the date of transition immediately in retained earnings.

Share-Based Payments

IFRS 2, Share-Based Payments , requires that cash-settled share-based payments to employees be measured (both initially and at each reporting date) based on fair values of the awards. Canadian GAAP on the other hand requires that such payments be measured based on intrinsic values of the awards. This difference is expected to impact the accounting measurement of some of the company s cash-settled employee incentive plans such as its performance unit incentive plan.

Provisions (Including Asset Retirement Obligations)

IAS 37, Provisions, Contingent Liabilities and Contingent Assets , requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. Probable in this context means more likely than not. Under Canadian GAAP, the criteria for recognition in the financial statements is likely , which is a higher threshold than probable . Therefore, it is possible that there may be some contingent liabilities which would meet the recognition criteria under IFRSs that were not recognized under Canadian GAAP.

Other differences between IFRSs and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRSs uses the mid-point of the range, whereas Canadian GAAP uses the low-end of the range), and the requirement under IFRSs for provisions to be discounted where material.

Income Taxes

IAS 12, Income Taxes , currently requires income tax to be charged (or credited) directly to equity (OCI) if the tax relates to items that are credited (or charged), in the same or a different period, directly to equity. Under Canadian GAAP, only the income tax relating to items credited (or charged) directly to equity in the same period is charged (or credited) directly to equity. This change may result in some income tax effects being recognized directly in equity rather than through net income or loss. This GAAP difference is currently being addressed as part of the International Accounting Standards Board s project on Income Tax.

RISK MANAGEMENT

Execution of our corporate strategy requires an effective program to manage the associated risks. We have adopted the PotashCorp Risk Management Framework (the Framework) to identify and manage such risks. The Framework consists of a comprehensive risk universe, with six corporate risk categories, and corresponding identification of risk events. The major corporate categories of risks are: markets/business, distribution, operational, financial/information technology, regulatory and integrity/empowerment. Together and separately, these potentially threaten our strategies and could affect our ability to deliver long-term shareholder value.

The Framework establishes an entity-wide risk ranking methodology. Risk events are evaluated against the criteria of likelihood or frequency of occurrence and the consequential magnitude or severity of the event. Mitigation activities are identified that will reduce the likelihood and/or severity of the occurrence of a risk event. The residual risk that results from identified mitigation activities is also evaluated using the same criteria. Management identifies the most significant risks to our strategy and reports to the Board on the mitigation plans.

The company s Risk Management Process of identification, management, and reporting of risk is continuous and dynamic. Changes to corporate risk that result from changing internal and external factors are evaluated on a quarterly basis and significant changes in risks and corresponding mitigation activities are reported quarterly to the audit committee. Detailed discussion of the PotashCorp Risk Management Process can be found on pages 29 and 30 of our 2007 financial review annual report as well as in our 2007 Annual Report on Form 10-K. Risk management discussions specific to potash, nitrogen and phosphate operations can be found on pages 16, 20 and 24, respectively, of the 2007 financial review annual report.

The company recognizes damage to reputation as its most severe risk, which is mitigated by ongoing and transparent communication with stakeholders, commitment to sustainability, and leading-edge corporate governance practices. Moreover, significant investments and operations in a number of countries subject the company to normal business risks which could be exaggerated by differences in domestic culture, political and economic conditions, policies, laws and regulations. The company may also be adversely affected by changing anti-trust laws in its operating jurisdictions worldwide.

The risks of greatest potential impact to potash reported in the 2007 financial review annual report include market supply imbalances which may result from fluctuations in global demand for product or from new competitor supply in the form of greenfield mines, inadequacy of the transportation and distribution infrastructure to timely accommodate the volume delivery demands, and physical risks particular to underground mines (such as unexpected underground rock falls and water inflow from underground water-bearing strata). We mitigate the market imbalance risks by managing production to meet market demand. The company mitigates transportation and distribution risks both directly and through Canpotex by working with rail carriers and undertaking sufficient capital investment in transportation infrastructure and railcars. Underground mine risk mitigation activities include advanced geoseismic monitoring. At Lanigan this also includes ground penetrating radar development and the installation of a mining machine canopy.

Similar risks of cyclicality and market imbalance exist in nitrogen and phosphate, largely due to competitive costs, availability of supply and government involvement. The company mitigates these risks by focusing on less cyclical markets, and employing natural gas price risk hedging strategies where appropriate.

The recent global financial crisis has resulted in greater uncertainty regarding the timely ability and cost to borrow money for most companies. It has also led to significant declines in global equity markets, particularly affecting share prices of companies in commodity-related businesses and industries.

The effects of the financial crisis on our business are mitigated by the strength of our debt-to-equity ratio and cash flows. We believe our financial position and cash flows will enable us to fund our continuing operations and pursue long-term opportunities to grow our business despite any current limitations on access to the capital markets. We continue to run our business with a long term view and believe the strong fundamentals of our business provide opportunities to continue to enhance shareholder value.

OUTLOOK

While the rapid decline in investor confidence in global equity, debt and commodity markets has shifted political and public attention to issues of finance, it does not change the sound and solidly entrenched long-term fundamentals that underpin anticipated growth in the fertilizer industry. Although all sectors, including agriculture, have been impacted by the response to the accelerating global financial crisis and increased selling of liquid assets to attain and hold cash, the most basic drivers of our business remain intact. The growing world needs to produce more food and, to do that, it requires more fertilizer.

Global population is approximately 6.7 billion people and grows by an estimated 80 million each year. Research has estimated that approximately 40 percent of the world s food could not be produced without the use of fertilizer, so the importance and value of our products increase on a continuing basis. Regardless of economic conditions, world grain consumption rarely declines and has, in fact, increased in 40 of the past 48 years. The most significant drop over this time was 3.7 percent during a year that saw a corresponding 4.6 percent drop in global grain production. In the remaining cases, grain consumption declined less than 1 percent and was typically caused by weather-related production issues constraining grain supplies.

With more people to feed and higher demand for protein from meat sources, which requires even more grain, the world s farmers are challenged to improve crop yields and maximize production. Grain consumption remains at an all-time high and, despite record crops, global grain stocks-to-use levels are near historic lows. Despite these conditions, the impact of traders selling off crop futures contracts and lowering prices for financial rather than fundamental reasons could impact crop production patterns in the short term. If the world s farmers choose to cut back on acreage or reduce crop inputs due to current economic uncertainty, we expect this would put substantial pressure on the already-tight global grain supplies and ultimately lead to much higher crop prices. Additionally, this year s record world production drew an unprecedented amount of crop nutrients from the soil, creating an even greater need for fertilizer to protect and restore soil fertility. Our industry has witnessed many periods of temporary cash conservation in the past, where buyers deferred purchasing inputs and worked from inventories or mined residual nutrients in the soil. As this happens, the need to replace crop nutrient inventories grows, leading to tightened supply/demand fundamentals for fertilizers.

In the interim, potash supply is inherently tight, with limited productive capability supplying the needs of farmers in every country of the world. We expect that the industry will be challenged to meet demand in coming years. Potash production faces a number of constraints and even the most optimistic prospect of significant new greenfield production is at least five to seven years away.

Among the major potash markets, US farmers have enjoyed record farm income in four of the past six years and are operating with very strong balance sheets, averaging a debt-to-equity ratio of 11 percent. Their lenders are typically government-sponsored farm credit agencies or regional banks that understand farmers are among the lowest credit risk of any borrowers in the current environment. After receiving potash on an allocation basis for the past 18 months and functioning on available supply while growing record crops, potassium levels in US farmers soils have been reduced and must be restored to protect future fertility. This minimizes the downside risk for potash in North America and, given the late fall season and an expected rebound in crop prices, we anticipate that US demand will be strong in the coming spring season.

In China, the late settlement of 2008 potash contracts and increased demand from other major buying regions reduced imports by more than 3 million tonnes from 2007 levels. Seaborne shipments did not arrive until long after the spring application season, constraining field-level supplies and lowering potash consumption. After higher crop production this year removed large amounts of nutrients from soils, China will need to increase potash applications to restore low soil nutrient levels. Canpotex s sales to China have not been impacted by the current global financial crisis and we expect Chinese buyers to settle 2009 contracts by the first quarter, with a provision for higher volumes than 2008 to ensure the replenishment of potassium for sufficient grain production next year. The financial crisis has reduced concerns about rapid inflation slowing China s powerful economy. As has been demonstrated over the past two decades and discussed publicly again by its government officials recently, China continues to emphasize strong industrial and agricultural growth, which gives more people the desire and income necessary to purchase more readily available and nutritious food.

In India, soils are short of all nutrients, particularly potassium, and the historical under-application of potash relative to nitrogen and phosphate is severely limiting yield growth for crops in that country. India s government is focused on improving yields and we expect solid potash demand growth again there in 2009.

Although Brazil has a great need for potassium in its soil, of all major potash markets its economy has experienced the most sensitivity to global credit issues. Now, as Brazil heads into its primary planting season, it will likely be impacted by the unfortunate timing of negative investor response to this crisis and the resulting decline in crop prices. We believe that crop prices are likely to rebound by harvest time, and that the Brazilian farmer will do well. However, in the current environment, caution may be exercised. This could mean a reduction of Brazil s potash applications this fall and higher carryover of potash inventories into 2009. This could lower Brazil s potash imports by as much as 300,000-500,000 tonnes next year as compared to 2008. However, in October, the Brazilian government stepped in to provide more than 10 billion reais (approximately US $5 billion) to Brazilian banks to provide credit for farmers to purchase crop inputs. With rising global consumption of soybeans and corn, the world needs Brazil to increase its crop production. Higher long-term crop prices are required to encourage Brazil to expand its acreage and increase fertilizer consumption to meet this demand.

While much of the attention is focused on other countries, Russia s agricultural industry is also enjoying a quiet yet rapid resurgence that we expect will have far-reaching effects. The Russian government has indicated it will require its domestic fertilizer producers to direct significant volumes of nitrogen, phosphate and potash to its own farmers. This could remove several hundred thousand tonnes of potash from an already tight international market next year.

In the fourth quarter, we expect previously announced potash price increases to take hold and raise our total realized price by approximately $100 per tonne. Looking ahead, limited new potash capacity is scheduled to come on stream in 2009, even as producers are reporting record-low inventories. With global sales growth estimates ranging from a scenario of flat to a 5-percent increase, we expect potash fundamentals to remain tight. In the event of temporary demand weakness in this current economic environment, we will follow our long-held practice of matching our production to meet market demand, reducing volatility in our financial performance. This could also significantly minimize the downside of production lost during ongoing strikes at our Allan, Cory and Patience Lake potash operations. We expect our full-year 2008 potash gross margin to exceed the 2007 level by approximately 250 percent.

Longer-term, over the next five to seven years we expect demand growth to meet or exceed the availability of new supply. We continue to move forward on announced potash debottlenecking and expansion projects that will raise our operating capability from approximately 10 million tonnes to 18 million tonnes over this time frame.

Among the other nutrients, the fundamentals for nitrogen products face the greatest immediate-term challenge from temporary deferrals of purchases. With major buyers waiting on the sidelines due to delayed application seasons in key areas and lack of confidence from the global financial crisis, urea prices have dropped dramatically. Ammonia prices achieved record levels in September/October, but have come under pressure in the fourth quarter. Due to these falling prices, we now expect 2008 nitrogen gross margin to be lower than our previous forecast but still exceed 2007 by approximately 60 percent.

Rapidly falling international sulfur costs, which have dropped from a high of approximately $800 per tonne to well below $200 per tonne, are putting downward pressure on phosphate prices. However, we expect minimal impact on phosphate profitability as raw material costs and ocean freight rates decline. Additionally, announced production cutbacks in the phosphate industry should minimize the effect of the current market situation on phosphate gross margins. As a result, 2008 phosphate segment gross margin is now expected to be higher than previously forecasted, exceeding 2007 by over 250 percent.

Our 2008 capital expenditures, excluding capitalized interest, are expected to be approximately $1.2 billion, of which $260 million will relate to sustaining capital. Our consolidated reported income tax rate for the year is anticipated to be 27 percent. Due to higher expected potash prices and margins, provincial mining taxes are forecast to be 19 percent of total potash gross margin for the year, but could land within a range of 17-19 percent depending on potash price realizations, the Canadian/US exchange rate, and the timing and amount of capital spending on potash projects in Saskatchewan.

In the $12.00-$13.00 per share guidance range we previously provided for 2008, the low end of that range fully considered the risk of a lengthy strike at our three affected potash sites. Now, the global financial crisis is creating short-term uncertainty, while falling fourth-quarter nitrogen prices are expected to be offset somewhat by improving margins in our phosphate segment as raw material costs drop precipitously. Using a locked in Canadian/US dollar exchange rate of $1.10, we expect 2008 net income per share to be at the low end of our previously provided guidance range, with a possible variance of 2 percent in either direction.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q, including those in the Outlook section of Management s Discussion and Analysis of Financial Condition and Results of Operations relating to the period after September 30, 2008, are forward-looking statements. These statements can be identified by expressions of belief, expectation or intention, as well as those statements that are not historical fact. These statements are based on certain factors and assumptions as set forth in this Form 10-Q, including foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates. While the company considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Several factors could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to: fluctuations in supply and demand in fertilizer, sulfur, transportation and petrochemical markets; changes in competitive pressures, including pricing pressures; timing and amount of capital expenditures; risks associated with natural gas and other hedging activities; changes in capital markets and corresponding effects on the company s investments; changes in currency and exchange rates; the current global financial crisis and changes in credit markets; unexpected geological or environmental conditions, including water inflow; strikes or other forms of work stoppage or slowdowns, including work stoppages at our Allan, Cory and Patience Lake facilities; changes in, and the effects of, government policy and regulations; and earnings, exchange rates and the decisions of taxing authorities, all of which could affect our effective tax rates. Additional risks and uncertainties can be found in our Form 10-K for the fiscal year ended December 31, 2007 under the captions Forward-Looking Statements and Item 1A Risk Factors and in our filings with the US Securities and Exchange Commission and Canadian provincial securities commissions. Forward-looking statements are given only as at the date of this report and the company disclaims any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

ITEM 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Market risk is the potential for loss from adverse changes in the market value of financial instruments. The level of market risk to which we are exposed varies depending on the composition of our derivative instrument portfolio, as well as current and expected market conditions. A discussion of enterprise-wide risk management can be found in our 2007 financial review annual report, pages 29 to 30, and risk management discussion specific to potash, nitrogen and phosphate operations can be found on pages 16, 20, and 24, respectively, of such report. A discussion of commodity risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk, including risk sensitivities, can be found in Note 4 to the unaudited interim condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q.

ITEM 4. *CONTROLS AND PROCEDURES*

As of September 30, 2008, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon that evaluation and as of September 30, 2008, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports the company files and submits under the *Securities Exchange Act of 1934* is recorded, processed, summarized and reported as and when required and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS*

Antitrust

Between September 11 and October 2, 2008, the Company and PCS Sales (USA) Inc., were named as defendants in three very similar antitrust complaints filed in federal courts. Two of the cases were filed in Chicago and one in Minneapolis. Other potash producers are also defendants in these cases. The complaints allege conspiracy to fix potash prices, to divide markets, to restrict supply and fraudulently to conceal the conspiracy, all in violation of Section 1 of the Sherman Act. The complaints were filed by plaintiffs claiming to have purchased potash directly from at least one of the defendants during the period between July 1, 2003, and the present. All three plaintiffs purport to sue on behalf of a class of persons who purchased potash in the United States directly from a defendant. Each of these complaints seeks unspecified treble damages, injunctive relief, attorneys fees, costs and pre-and post-judgment interest.

In addition to the three direct purchaser cases, plaintiffs claiming to be indirect purchasers of potash filed three other complaints against the Company and PCS Sales (USA) Inc., in federal court in Chicago on September 15, 2008. Many of the allegations of these complaints are comparable to those in the direct purchaser actions and the named defendants are the same in all six cases. Each of the indirect purchaser complaints were filed on behalf of a proposed class of indirect purchasers of potash in various states and the District of Columbia that, according to the complaints, permit indirect purchasers to pursue state antitrust law claims. These complaints seek damages for unjust enrichment, treble damages where allowed, costs, fees and pre-and post-judgment interest. One indirect purchaser complaint includes both state antitrust law claims and deceptive practices claims under state consumer protection statutes, unjust enrichment claims and common law restraint of trade claims.

The Company and PCS Sales (USA) believe each of these six private antitrust law lawsuits is without merit and intend to defend them vigorously.

ITEM 2. *ISSUER PURCHASE OF EQUITY SECURITIES*

The following table provides information about company purchases of equity securities that are registered by the company pursuant to Section 12 of the Exchange Act during the quarter ended September 30, 2008:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share[(1)]	(c) Total Number of Shares Purchased as Part of Publicly Announced Programs[(2,3)]	(d) Maximum Number of Shares that May Yet Be Purchased Under the Programs[(3)]
July 1, 2008 July 31, 2008	1,683,100	$ 201.66	12,538,600	3,281,400
August 1, 2008 August 31, 2008	2,109,000	$ 175.00	14,647,600	1,172,400
	1,172,400	$ 138.35	15,820,000	15,680,000

September 1, 2008 September 30, 2008				
Total	4,964,500	$ 175.3846	15,820,000	15,680,000

(1) Average price paid per share includes cash paid for commissions.

(2) On January 23, 2008, the company announced that its Board of Directors had approved an open market repurchase program of approximately 5 percent of the company s outstanding common shares, or approximately 15.82 million shares, through a normal course issuer bid. Purchasing under the program commenced on January 31, 2008 and may continue until January 30, 2009.

(3) On September 11, 2008, the company announced that its Board of Directors had approved an increase in the share repurchase program to authorize the purchase of up to an additional 15,680,000 common shares.

ITEM 6. ***EXHIBITS***

(a) EXHIBITS

Exhibit Number	Description of Document	Incorporated By Reference Form	Filing Date/ Period End Date
3(a)	Articles of Continuance of the registrant dated May 15, 2002.	10-Q	6/30/2002
3(b)	Bylaws of the registrant effective May 15, 2002.	10-Q	6/30/2002
4(a)	Term Credit Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated September 25, 2001.	10-Q	9/30/2001
4(b)	Syndicated Term Credit Facility Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 23, 2003.	10-Q	9/30/2003
4(c)	Syndicated Term Credit Facility Second Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 21, 2004.	8-K	9/21/2004
4(d)	Syndicated Term Credit Facility Third Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 20, 2005.	8-K	9/22/2005
4(e)	Syndicated Term Credit Facility Fourth Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 27, 2006.	10-Q	9/30/2006
4(f)	Syndicated Term Credit Facility, Fifth Amending Agreement between the Bank of Nova Scotia and other financial institutions and the registrant dated as of October 19, 2007.	8-K	10/22/2007
4(g)	Indenture dated as of June 16, 1997, between the registrant and The Bank of Nova Scotia Trust Company of New York.	8-K	6/18/1997
4(h)	Indenture dated as of February 27, 2003, between the registrant and The Bank of Nova Scotia Trust Company of New York.	10-K	12/31/2002
4(i)	Form of Note relating to the registrant s offering of $600,000,000 principal amount of 7.75% Notes due May 31, 2011.	8-K	5/17/2001
4(j)		8-K	2/28/2003

	Form of Note relating to the registrant s offering of $250,000,000 principal amount of 4.875% Notes due March 1, 2013.		
4(k)	Form of Note relating to the registrant s offering of $500,000,000 principal amount of 5.875% Notes due December 1, 2036.	8-K	11/29/2006
4(l)	Revolving Term Credit Facility Agreement between the Bank of Nova Scotia and other financial institutions and the registrant dated as of May 29, 2008.	8-K	6/2/2008
4(m)	Revolving Term Credit Facility Agreement between the Bank of Nova Scotia and other financial institutions and the registrant dated as of July 29, 2008.	10-Q	6/30/2008

The registrant hereby undertakes to file with the Securities and Exchange Commission, upon request, copies of any constituent instruments defining the rights of holders of long-term debt of the registrant or its subsidiaries that have not been filed herewith because the amounts represented thereby are less than 10% of the total assets of the registrant and its subsidiaries on a consolidated basis.

		Incorporated By Reference	
Exhibit Number	Description of Document	Form	Filing Date/ Period End Date
10(a)	Sixth Voting Agreement dated April 22, 1978, between Central Canada Potash, Division of Noranda, Inc., Cominco Ltd., International Minerals and Chemical Corporation (Canada) Limited, PCS Sales and Texasgulf Inc.	F-1 (File No. 33-31303)	9/28/1989
10(b)	Canpotex Limited Shareholders Seventh Memorandum of Agreement effective April 21, 1978, between Central Canada Potash, Division of Noranda Inc., Cominco Ltd., International Minerals and Chemical Corporation (Canada) Limited, PCS Sales, Texasgulf Inc. and Canpotex Limited as amended by Canpotex S&P amending agreement dated November 4, 1987.	F-1 (File No. 33-31303)	9/28/1989
10(c)	Producer Agreement dated April 21, 1978, between Canpotex Limited and PCS Sales.	F-1 (File No. 33-31303)	9/28/1989
10(d)	Canpotex/PCS Amending Agreement, dated as of October 1, 1992.	10-K	12/31/1995
10(e)	Canpotex PCA Collateral Withdrawing/PCS Amending Agreement, dated as of October 7, 1993.	10-K	12/31/1995
10(f)	Canpotex Producer Agreement amending agreement dated as of January 1, 1999.	10-K	12/31/2000
10(g)	Canpotex Producer Agreement amending agreement dated as of July 1, 2002.	10-Q	6/30/2004
10(h)	Esterhazy Restated Mining and Processing Agreement dated January 31, 1978, between International Minerals & Chemical Corporation (Canada) Limited and the registrant s predecessor.	F-1 (File No. 33-31303)	9/28/1989
10(i)	Agreement dated December 21, 1990, between International Minerals & Chemical Corporation (Canada) Limited and the registrant, amending the Esterhazy Restated Mining and Processing Agreement dated January 31, 1978.	10-K	12/31/1990
10(j)	Agreement effective August 27, 1998, between International Minerals & Chemical (Canada) Global Limited and the registrant,	10-K	12/31/1998

	amending the Esterhazy Restated Mining and Processing Agreement dated January 31, 1978 (as amended).		
10(k)	Agreement effective August 31, 1998, among International Minerals & Chemical (Canada) Global Limited, International Minerals & Chemical (Canada) Limited Partnership and the registrant assigning the interest in the Esterhazy Restated Mining and Processing Agreement dated January 31, 1978 (as amended) held by International Minerals & Chemical (Canada) Global Limited to International Minerals & Chemical (Canada) Limited Partnership.	10-K	12/31/1998
10(l)	Potash Corporation of Saskatchewan Inc. Stock Option Plan Directors, as amended.	10-K	12/31/2006

Exhibit Number	Description of Document	Incorporated By Reference Form	Filing Date/ Period End Date
10(m)	Potash Corporation of Saskatchewan Inc. Stock Option Plan Officers and Employees, as amended.	10-K	12/31/2006
10(n)	Short-Term Incentive Plan of the registrant effective January 2000, as amended.	10-K	12/31/2007
10(o)	Resolution and Forms of Agreement for Supplemental Retirement Income Plan, for officers and key employees of the registrant.	10-K	12/31/1995
10(p)	Amending Resolution and revised forms of agreement regarding Supplemental Retirement Income Plan of the registrant.	10-Q	6/30/1996
10(q)	Amended and restated Supplemental Retirement Income Plan of the registrant and text of amendment to existing supplemental income plan agreements.	10-Q	9/30/2006
10(r)	Form of Letter of amendment to existing supplemental income plan agreements of the registrant.	10-K	12/31/2002
10(s)	Amended and restated agreement dated February 20, 2007, between the registrant and William J. Doyle concerning the Supplemental Retirement Income Plan.	10-K	12/31/2006
10(t)	Supplemental Retirement Benefits Plan for U.S. Executives dated effective January 1, 1999.	10-Q	6/30/2002
10(u)	Forms of Agreement dated December 30, 1994, between the registrant and certain officers of the registrant.	10-K	12/31/1995
10(v)	Form of Agreement of Indemnification dated August 8, 1995, between the registrant and certain officers and directors of the registrant.	10-K	12/31/1995
10(w)	Resolution and Form of Agreement of Indemnification dated January 24, 2001.	10-K	12/31/2000
10(x)	Resolution and Form of Agreement of Indemnification July 21, 2004.	10-Q	6/30/2004
10(y)	Chief Executive Officer Medical and Dental Benefits.	10-K	12/31/2004
10(z)		10-K	12/31/1995

	Second Amended and Restated Membership Agreement dated January 1, 1995, among Phosphate Chemicals Export Association, Inc. and members of such association, including Texasgulf Inc.		
10(aa)	International Agency Agreement dated effective December 15, 2006, between Phosphate Chemicals Export Association, Inc. and PCS Sales (USA), Inc.	10-K	12/31/2006
10(bb)	Deferred Share Unit Plan for Non-Employee Directors, as amended.	10-Q	3/31/2008
10(cc)	Potash Corporation of Saskatchewan Inc. 2005 Performance Option Plan and Form of Option Agreement, as amended.	10-K	12/31/2006
10(dd)	Potash Corporation of Saskatchewan Inc. 2006 Performance Option Plan and Form of Option Agreement, as amended.	10-K	12/31/2006
10(ee)	Potash Corporation of Saskatchewan Inc. 2007 Performance Option Plan and Form of Option Agreement.	10-Q	3/31/2007

Exhibit Number	Description of Document	Incorporated By Reference Form	Filing Date/ Period End Date
10(ff)	Potash Corporation of Saskatchewan Inc. 2008 Performance Option Plan and Form of Option Agreement.	10-Q	3/31/2008
10(gg)	Medium Term Incentive Plan of the registrant effective January 2006.	10-K	12/31/2005
11	Statement re Computation of Per Share Earnings.		
31(a)	Certification pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.		
31(b)	Certification pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.		
32	Certification pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.		

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POTASH CORPORATION OF
SASKATCHEWAN INC.

November 5, 2008

By: /s/ Joseph Podwika

Joseph Podwika
Senior Vice President, General Counsel and Secretary

November 5, 2008

By: /s/ Wayne R. Brownlee

Wayne R. Brownlee
Executive Vice President, Treasurer and
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description of Document	Incorporated By Reference Form	Filing Date/ Period End Date
3(a)	Articles of Continuance of the registrant dated May 15, 2002.	10-Q	6/30/2002
3(b)	Bylaws of the registrant effective May 15, 2002.	10-Q	6/30/2002
4(a)	Term Credit Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated September 25, 2001.	10-Q	9/30/2001
4(b)	Syndicated Term Credit Facility Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 23, 2003.	10-Q	9/30/2003
4(c)	Syndicated Term Credit Facility Second Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 21, 2004.	8-K	9/21/2004
4(d)	Syndicated Term Credit Facility Third Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 20, 2005.	8-K	9/22/2005
4(e)	Syndicated Term Credit Facility Fourth Amending Agreement between The Bank of Nova Scotia and other financial institutions and the registrant dated as of September 27, 2006.	10-Q	9/30/2006
4(f)	Syndicated Term Credit Facility, Fifth Amending Agreement between the Bank of Nova Scotia and other financial institutions and the registrant dated as of October 19, 2007.	8-K	10/22/2007
4(g)	Indenture dated as of June 16, 1997, between the registrant and The Bank of Nova Scotia Trust Company of New York.	8-K	6/18/1997
4(h)	Indenture dated as of February 27, 2003, between the registrant and The Bank of Nova Scotia Trust Company of New York.	10-K	12/31/2002
4(i)	Form of Note relating to the registrant s offering of $600,000,000 principal amount of 7.75% Notes due May 31, 2011.	8-K	5/17/2001
4(j)	Form of Note relating to the registrant s offering of $250,000,000 principal amount of 4.875% Notes due March 1, 2013.	8-K	2/28/2003

4(k)	Form of Note relating to the registrant s offering of $500,000,000 principal amount of 5.875% Notes due December 1, 2036.	8-K	11/29/2006
4(l)	Revolving Term Credit Facility Agreement between the Bank of Nova Scotia and other financial institutions and the registrant dated as of May 29, 2008.	8-K	6/2/2008
4(m)	Revolving Term Credit Facility Agreement between the Bank of Nova Scotia and other financial institutions and the registrant dated as of July 29, 2008.	10-Q	6/30/2008

The registrant hereby undertakes to file with the Securities and Exchange Commission, upon request, copies of any constituent instruments defining the rights of holders of long-term debt of the registrant or its subsidiaries that have not been filed herewith because the amounts represented thereby are less than 10% of the total assets of the registrant and its subsidiaries on a consolidated basis.

Exhibit Number	Description of Document	Incorporated By Reference Form	Filing Date/ Period End Date
10(a)	Sixth Voting Agreement dated April 22, 1978, between Central Canada Potash, Division of Noranda, Inc., Cominco Ltd., International Minerals and Chemical Corporation (Canada) Limited, PCS Sales and Texasgulf Inc.	F-1 (File No. 33-31303)	9/28/1989
10(b)	Canpotex Limited Shareholders Seventh Memorandum of Agreement effective April 21, 1978, between Central Canada Potash, Division of Noranda Inc., Cominco Ltd., International Minerals and Chemical Corporation (Canada) Limited, PCS Sales, Texasgulf Inc. and Canpotex Limited as amended by Canpotex S&P amending agreement dated November 4, 1987.	F-1 (File No. 33-31303)	9/28/1989
10(c)	Producer Agreement dated April 21, 1978, between Canpotex Limited and PCS Sales.	F-1 (File No. 33-31303)	9/28/1989
10(d)	Canpotex/PCS Amending Agreement, dated as of October 1, 1992.	10-K	12/31/1995
10(e)	Canpotex PCA Collateral Withdrawing/PCS Amending Agreement, dated as of October 7, 1993.	10-K	12/31/1995
10(f)	Canpotex Producer Agreement amending agreement dated as of January 1, 1999.	10-K	12/31/2000
10(g)	Canpotex Producer Agreement amending agreement dated as of July 1, 2002.	10-Q	6/30/2004
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