

**ENCANTO POTASH CORP.**

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2010

(unaudited)

**ENCANTO POTASH CORP.**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(unaudited)

	<u>March 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b><u>ASSETS</u></b>		
Current		
Cash	\$ 666,917	\$ 1,109,594
GST recoverable	69,120	98,282
Prepaid expenses	25,316	38,679
	761,353	1,246,555
Deposits	193,736	177,236
Equipment – Note 4	19,186	20,943
Mineral properties – Note 3 and Schedule 1	16,462,718	10,704,450
	\$ 17,436,993	\$ 12,149,184
<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities – Note 6	\$ 184,824	\$ 123,537
Future income tax liability	736,000	525,000
	920,824	648,537
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Share capital – Note 5	19,816,785	14,483,437
Contributed surplus – Note 5	2,142,962	2,070,788
Deficit	(5,443,578)	(5,053,578)
	16,516,169	11,500,647
	\$ 17,436,993	\$ 12,149,184

Nature and Continuance of Operations – Note 1  
Commitments – Notes 3, 5 and 10  
Subsequent Event – Note 5

APPROVED BY THE DIRECTORS

<u>“James Walchuck”</u> James Walchuck	Director	<u>“Gordon Keep”</u> Gordon Keep	Director
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SEE ACCOMPANYING NOTES

**ENCANTO POTASH CORP.**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS  
AND DEFICIT**  
For the three months ended March 31, 2010 and 2009  
(unaudited)

	<u>Three months ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
General and administrative expenses		
Accounting and audit fees – Note 6	\$ 32,626	\$ 26,028
Amortization	1,757	147
Consulting fees – Note 6	34,925	108,587
Donations	-	8,383
Filing and transfer agent fees	16,692	2,610
Interest	-	1,055
Investor relations and miscellaneous	116,675	2,216
Legal fees	14,148	60,443
Management fees, salaries and benefits – Note 6	33,750	7,000
Office – Note 6	22,012	24,901
Part XII.6 and other tax	2,680	12,750
Stock-based compensation – Note 5	74,189	-
Travel and accommodation	41,641	2,812
	<hr/>	<hr/>
Loss for the period before other income	(391,095)	(256,932)
Other income		
Interest income	1,095	279
	<hr/>	<hr/>
Loss for the period before income taxes	(390,000)	(256,653)
Future income tax recovery	-	547,000
	<hr/>	<hr/>
Net (loss) income and comprehensive (loss) income for the period	(390,000)	290,347
Deficit, beginning of the period	(5,053,578)	(2,262,169)
	<hr/>	<hr/>
Deficit, end of the period	\$ (5,443,578)	\$ (2,436,822)
	<hr/>	<hr/>
Basic and diluted (loss) income per share	\$ (0.00)	\$ 0.00
	<hr/>	<hr/>
Weighted average number of shares outstanding	154,951,417	69,821,681
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SEE ACCOMPANYING NOTES

**ENCANTO POTASH CORP.**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the three months ended March 31, 2010 and 2009  
(unaudited)

	<u>Three months ended March 31,</u>	
	<u>2010</u>	<u>2009</u>
<b>Cash Used In Operating Activities</b>		
Net (loss) income for the period	\$ (390,000)	\$ 290,347
Items not affecting cash		
Amortization	1,757	147
Stock-based compensation	74,189	-
Consulting fees settled by reduction of amount due from shareholder	-	43,500
Future income tax recovery	-	(547,000)
	(314,054)	(213,006)
<b>Changes in non-cash working capital items:</b>		
GST recoverable	29,162	101,395
Prepaid expenses	13,363	2,462
Accounts payable and accrued liabilities	22,586	5,168
	(248,943)	(103,981)
<b>Cash Used In Investing Activities</b>		
Deferred exploration expenditures	(259,567)	(115,743)
Deposits	(16,500)	(15,000)
	(276,067)	(130,743)
<b>Cash Provided By Financing Activities</b>		
Issuance of securities, net of costs	82,333	-
Due from Shareholder	-	41,070
Loan advance from Angus	-	90,000
Loan repayment to Angus	-	(20,000)
	82,333	111,070
Decrease in cash during the period	(442,677)	(123,654)
Cash, beginning of the period	1,109,594	183,996
Cash, end of the period	\$ 666,917	\$ 60,342
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

Non-cash Transactions – Note 9

SEE ACCOMPANYING NOTES

**ENCANTO POTASH CORP.**  
(An Exploration Stage Company)  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the three months ended March 31, 2010  
(unaudited)

Note 1 Nature and Continuance of Operations

Encanto Potash Corp. (the “Company”) was incorporated under the laws of British Columbia, Canada, in 1986. The Company is listed for trading on the TSX Venture Exchange under the symbol “EPO”.

The Company’s principal activities include the acquisition of, exploration for and development of potash mineral deposits. The Company is currently conducting exploration activities in the Province of Saskatchewan, Canada and has not yet determined the existence of economically recoverable reserves. The recoverability of amounts shown for mineral properties and its investments is dependent upon the existence of economically recoverable reserves in its mineral properties, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete their development, and the attainment and maintenance of future profitable production or disposition thereof.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2010, the Company was still in the exploration stage and had not achieved profitable operations, had an accumulated deficit of \$5,443,578 since inception and expects to incur further losses in the development of its business. The Company’s ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future.

Note 2 Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP, using the same accounting policies and methods of the Company as per the year ended December 31, 2009 with the following addition. They do not include all the disclosures required for annual financial statements under Canadian GAAP, and should be read in conjunction with the most recent annual consolidated financial statements of the Company.

The results of operations for the three months ended March 31, 2010 are not necessarily indicative of those to be expected for the entire year ending December 31, 2010.

**ENCANTO POTASH CORP.**  
(An Exploration Stage Company)  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the three months ended March 31, 2010  
(unaudited)

Note 2 Significant Accounting Policies (continued)

Recently adopted accounting policies

*Business combinations, consolidated financial statements and non-controlling interest*

Effective January 1, 2010, the Company elected to early adopt CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008).

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

To date there has been no impact on the Company's financial statements as a result of the adoption of these sections.

Future accounting and reporting changes

*International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

Note 2 Significant Accounting Policies (continued)

Future accounting and reporting changes (continued)

The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

Note 3 Mineral Properties – Schedule 1

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

**Muskowekwan First Nation Prospect**

Through the Company's wholly-owned subsidiary, Encanto Resources Ltd. ("ERL"), on July 31, 2009 the Company entered into Exploration Participation Agreements ("EPA's") with Muskowekwan First Nation ("MFN") and Muskowekwan Resources Ltd. ("MRL") on two separate groups of MFN reserve lands (the "MFN Prospect") aggregating approximately 36,300 acres in Saskatchewan and pursuant to which the Company has obtained the exclusive right to explore for, develop and produce potash minerals. In connection with the EPA's, MFN applied for and received a permit for each of the two groups of reserve lands from the Crown authorizing the Company, MFN and MRL to proceed under the terms of the EPA's as contemplated.

As consideration for being granted the exclusive right to conduct exploration activities on MFN's reserve lands as authorized by the Permits, the Company agreed to the following material terms:

- Payment to MRL of \$50,000 per EPA (aggregate amount of \$100,000 has been paid).
- Issuance of 200,000 common shares of the Company to MRL per EPA (aggregate amount of 400,000 common shares have been issued at a fair value of \$92,000).
- Issuance of 200,000 warrants to MRL per EPA (aggregate amount of 400,000 warrants have been issued). The fair value of these warrants of \$49,683 was determined based on the Black-Scholes option pricing model and this amount was charged to mineral properties with a corresponding credit to contributed surplus. Assumptions used in the pricing model are as follows: average risk-free interest rate – 1.68%; expected life – 2 years; expected volatility – 100%; and expected dividends – nil.
- The grant to MRL of a 50% ownership interest in all seismic data shot on MFN's reserve lands.

Note 3 Mineral Properties – Schedule 1 (continued)

**Muskowekwan First Nation Prospect (continued)**

With respect to each EPA, in the event of the granting of a lease by the Crown, the parties are required to negotiate the terms of a definitive agreement providing for the parties' respective economic rights in the development, as described below.

- Issuance to MRL of an additional 100,000 common shares of the Company and the grant of an additional warrant to acquire an additional 100,000 common shares of the Company at an exercise price equal to the last price at which common shares were issued on a non-flow-through basis by the Company, or the lowest price permissible by the TSX Venture Exchange, exercisable within two years after issuance.
- The grant to MRL of a 3% non-convertible gross overriding royalty (free of all encumbrances) from all potash produced under the Lease.

Additional matters to be negotiated in the definitive agreement include development fees, annual surface lease payments, education/training opportunities, preferential living and employment practices, preferential contracting opportunities, and community and/or infrastructure contributions.

As at March 31, 2010, the Company had not entered into a definitive agreement with MFN.

**Other First Nations Prospects**

As at March 31, 2010, through ERL, the Company is a party to two other EPA's and five Memorandums of Understanding ("MOU's") with various other First Nations Bands (the "Bands"). The Company has obtained four permits from the Crown to explore and develop potash minerals on the reserve lands of the Bands, all located in Saskatchewan.

While the MOU's or EPA's, as the case may be, with each of the Bands are not identical, they contain material terms largely identical to the terms for the EPA's executed with MFN and MRL. The significant monetary commitments are as follows:

- Payment of an aggregate amount of \$350,000, which has been paid.
- Issuance of a total of 1,000,000 common shares of the Company to the Bands. As at December 31, 2009 all 1,000,000 common shares have been issued at an aggregate ascribed value of \$80,000.

Note 3 Mineral Properties – Schedule 1 (continued)

**Other First Nations Prospects (continued)**

- Issuance to each Band of a warrant to acquire an additional 200,000 shares of the Company with such exercise prices and expiry dates as set out in the respective MOU's. During the year ended December 31, 2009, the Company issued 1,000,000 warrants to the Bands with varying exercise prices from \$0.20 to \$1.00 per share with expiry dates varying from June 1, 2010 to November 9, 2011. The aggregate fair value of these warrants of \$66,674 was determined based on the Black-Scholes option pricing model and this amount was charged to mineral properties with a corresponding credit to contributed surplus. Assumptions used in the pricing model are as follows: average risk-free interest rate – 1.68%; expected life – 2 years; expected volatility – 100%; and expected dividends – nil.

In addition, the EPA's and MOU's provide that in the event of a "second phase work program" being conducted on the Band's lands (which requires a lease to be issued by the Crown), or the completion of a definitive agreement, as the case may be, the issuance of an additional 100,000 common shares of the Company and the grant of an additional warrant to acquire an additional 100,000 common shares of the Company to the respective Band, at such exercise price as set out in the respective EPA or MOU and exercisable within two years after issuance.

During the year ended December 31, 2009 the Company determined to not proceed with exploration activities on the reserve lands of two additional Bands and accordingly wrote-off \$100,000 (Schedule 1) (being the \$50,000 cash payment made to each Band during the year ended December 31, 2008).

**Spar Property and KP452 Claim**

By an agreement dated July 24, 2009, effective August 11, 2009, between the Company and Lion Energy Corp. (formerly Raytec Metals Corp.) ("Lion"), the Company acquired all of Lion's interests in its potash properties (the "Lion Potash Properties") in Saskatchewan for 19,846,525 common shares at the trading price of \$0.25 per share for a fair value of \$4,961,631.

Further, Lion agreed to incur \$6,500,000 of expenditures on the Company's potash property interests by December 31, 2009 to earn a 51% interest in the properties (including the Lion Potash Properties), which interest the Company had the option to repurchase for 26,000,000 common shares. As at December 31, 2009, Lion had incurred \$6,500,000 of expenditures on the Company's potash properties and accordingly earned a 51% interest in the properties. Of these expenditures approximately, \$4.9 million was incurred on the MFN Prospect and \$1.6 million was incurred on other reserve lands owned by other First Nations. On February 3, 2010, the Company exercised its option to repurchase this 51% interest in the Company's potash properties by issuing 26,000,000 common shares to Lion for a fair value of \$5,460,000 (Note 5). The Company allocated \$2,809,716 and \$2,650,284 to Muskowekwan First Nation Prospect and Other First Nations Prospects, respectively, based on the book values of the two properties.

Note 3 Mineral Properties – Schedule 1 (continued)

**Spar Property and KP452 Claim (continued)**

During the year ended December 31, 2009, the Company issued 500,000 common shares as a finder's fee with a fair value of \$125,000 to an independent third party in respect of the transactions with Lion.

The Lion Potash Properties vendor retains a 2% net smelter return royalty on the property.

Note 4 Equipment

	<u>March 31, 2010</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 25,296	\$ 6,110	\$ 19,186

  

	<u>December 31, 2009</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 25,296	\$ 4,353	\$ 20,943

Note 5 Share Capital

a) Authorized:

Unlimited common shares without par value  
100,000,000 Class A non-voting preference shares, par value \$10 each  
100,000,000 Class B non-voting preference shares, par value \$50 each

b) Common Shares Issued and Outstanding, and Contributed Surplus:

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, December 31, 2009	139,856,269	\$ 14,483,437	\$ 2,070,788
Issued during the period:			
Pursuant to mineral properties – Note 3	26,000,000	5,460,000	-
Pursuant to warrant exercise	786,667	82,333	-
Transfer on exercise of warrants	-	2,015	(2,015)
Deduct: Future income tax on flow-through shares	-	(211,000)	-
Stock-based compensation	-	-	74,189
Balance, March 31, 2010	<u>166,642,936</u>	<u>\$ 19,816,785</u>	<u>\$ 2,142,962</u>

Note 5 Share Capital (continued)

c) Commitments:

i) *Stock-based Compensation Plan*

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company.

There was no change in share purchase options outstanding during the three-month period ended March 31, 2010. The balance outstanding and related information at December 31, 2009 and March 31, 2010 is as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Life</u>
Balance, December 31, 2009	12,250,000	\$0.18	9.57
Balance, March 31, 2010	12,250,000	\$0.18	9.32
Exercisable, March 31, 2010	9,500,000	\$0.19	9.33

At March 31, 2010, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
10,250,000	\$0.17	July 13, 2019
<u>2,000,000</u>	\$0.25	September 16, 2019
<u>12,250,000</u>		

A total of 2,750,000 of the options granted during the year ended December 31, 2009 had not vested as at March 31, 2010. Of these options, 1,375,000 vest on July 13, 2010, with 125,000 vesting on April 13, 2010 and 1,250,000 vesting on January 13, 2011.

During the three-month period ended March 31, 2010, the Company recorded stock-based compensation expense of \$74,189 (2009 - \$nil).

Note 5 Share Capital (continued)

c) Commitments (continued):

ii) *Share Purchase Warrants*

Changes in share purchase warrants during the three-month period ended March 31, 2010 are as follows:

	Number of <u>Warrants</u>	Weighted Average Exercise <u>Price</u>	Weighted Average <u>Life</u>
Balance, December 31, 2009	20,275,443	\$0.20	1.10
Exercised	(786,667)	\$0.10	
Balance, March 31, 2010	<u>19,488,776</u>	<u>\$0.20</u>	<u>0.87</u>

At March 31, 2010, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
400,000	\$0.20	June 1, 2010
6,800,000 <sup>(1)</sup>	\$0.10	August 11, 2010
200,000	\$1.00	August 13, 2010
536,006	\$0.25	November 14, 2010
652,503	\$0.50	November 14, 2010
6,266,189	\$0.20	April 24, 2011
1,453,124	\$0.20	May 12, 2011
200,000	\$0.20	October 13, 2011
200,000	\$0.23	October 28, 2011
400,000	\$0.24	November 9, 2011
<u>2,380,954</u>	<u>\$0.35</u>	<u>November 30, 2011</u>
<u>19,488,776</u>		

<sup>(1)</sup> Subsequent to March 31, 2010, 1,366,666 of these warrants were exercised for proceeds of \$136,667.

d) Flow-through Shares:

During the year ended December 31, 2009, private placements included the issue of 5,620,658 flow-through shares at \$0.15 per share for gross proceeds of \$843,099. The Company has incurred eligible Canadian Exploration Expenditures in the amount of \$559,597 prior to March 31, 2010 and must incur additional eligible Canadian Exploration Expenditures of \$283,502 on or before December 31, 2010. None of these amounts will be available to the Company for future deduction from taxable income.

Note 5 Share Capital (continued)

e) Escrow Shares:

Pursuant to the reverse takeover with Angus Ventures Inc. on July 14, 2009, 51,900,003 common shares of the Company were placed into escrow. These escrow shares will be released as to ten percent (10%) on July 14, 2009 (released) and an additional fifteen percent (15%) tranches at six month intervals over a 36 month period with the final tranche being released on July 14, 2012. As at March 31, 2010, 38,925,002 (December 31, 2009: 46,710,003) common shares remained in escrow.

Note 6 Related Party Transactions

During the three months ended March 31, 2010 and 2009, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or were significant shareholders:

	<b>Three months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Accounting fees	\$ 18,000	\$ 15,133
Consulting fees	-	6,000
Management fees	33,750	7,000
Office	10,234	10,878
	<u>\$ 61,984</u>	<u>\$ 39,011</u>

These expenditures were measured at the exchange amount which is the amount agreed upon by the transacting parties.

Included in accounts payable and accrued liabilities as at March 31, 2010 is \$28,400 (December 31, 2009 - \$12,472) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing are unsecured, non-interest bearing and due on demand.

Note 7 Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the immediate or short term maturity of these items.

Note 7 Financial Instruments (continued)

The Company classifies fair values of financial instruments within a three-level hierarchy that prioritizes the inputs to fair value measurement and reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. As at March 31, 2010, the Company had no financial instruments which are measured at fair value on a recurring bases as the fair value of financial instruments approximates their carrying value due to the immediate or short term maturity of these items.

Foreign Exchange Risk

As at March 31, 2010 and December 31, 2009, all of the Company's cash was held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

Credit Risk

Credit risk arises from cash held with banks and financial institutions as well as from receivables and amounts due from shareholders and related parties. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a large Canadian bank.

Interest Rate Risk

The Company has investments in guaranteed investment certificates that are highly liquid. As such, the Company has been exposed to nominal interest rate risk.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Management has concluded that the Company has adequate financial resources to settle obligations as at March 31, 2010.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market price of potash.

Note 8 Management of Capital

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern in order to facilitate the development of its mineral properties and to maintain an optimal capital structure, while ensuring the Company's strategic objectives are met; and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

Note 8 Management of Capital (continued)

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, contributed surplus and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issue new debt, or acquire or dispose of assets, and control of the capital expenditures program.

The mineral properties are in the exploration stage. As such, the Company is dependent on external financing to develop its properties and fund its activities. In order to carry out its planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available, and may even dispose of its interest in the mineral properties.

Management reviews its capital management approach on an ongoing basis.

Note 9 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flow. During the three months ended March 31, 2010, the following transactions were excluded from the consolidated statements of cash flows:

- the Company issued 26,000,000 common shares at the fair value of \$5,460,000 pursuant to a mineral property agreement; and,
- the Company incurred \$38,701 of mineral property expenditures that were included in accounts payable as at March 31, 2010.

During the three months ended March 31, 2009, there were no such transactions.

Note 10 Commitments

The Company is committed to a consulting agreement, which expires on August 11, 2011, as follows:

2010	\$ 103,500
2011	<u>92,000</u>
Total	<u><u>\$ 195,500</u></u>

Note 11 Comparative Figures

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

**Schedule 1**

**ENCANTO POTASH CORP.**  
 (An Exploration Stage Company)  
 INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES  
 For the three months ended March 31, 2010  
 (unaudited)

	<u>Muskowekwan First Nation Prospect, Saskatchewan</u>	<u>Other First Nations Prospects, Saskatchewan</u>	<u>Spar and KP452 Claim, Saskatchewan</u>	<u>Total</u>
Balance, December 31, 2008	\$ 330,326	\$ 3,563,325	\$ -	\$ 3,893,651
Acquisition costs				
Cash	100,000	-	1,000,000	1,100,000
Shares - Note 3	92,000	40,000	5,086,631	5,218,631
Warrants - Note 3	49,683	66,674	-	116,357
	<hr/> 241,683	<hr/> 106,674	<hr/> 6,086,631	<hr/> 6,434,988
Deferred exploration costs				
2-D Seismic	213,809	213,810	-	427,619
Archaeological	-	4,800	-	4,800
Consulting	30,140	13,252	-	43,392
	<hr/> 243,949	<hr/> 231,862	<hr/> -	<hr/> 475,811
Mineral properties written-off	<hr/> -	<hr/> (100,000)	<hr/> -	<hr/> (100,000)
Balance, December 31, 2009	815,958	3,801,861	6,086,631	10,704,450
Acquisition costs				
Shares - Note 3	2,809,716	2,650,284	-	5,460,000
Deferred exploration costs				
2-D Seismic	-	21,330	-	21,330
3-D Seismic	115,746	2,500	-	118,246
Access support services	32,220	-	-	32,220
Consulting	15,967	26,788	-	42,755
Equipment / Fuel	40,000	20,000	-	60,000
Permitting	15,852	7,865	-	23,717
	<hr/> 219,785	<hr/> 78,483	<hr/> -	<hr/> 298,268
Balance, March 31, 2010	<hr/> \$ 3,845,459	<hr/> \$ 6,530,628	<hr/> \$ 6,086,631	<hr/> \$ 16,462,718