

**ENCANTO POTASH CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following information, prepared as of November 24, 2009, should be read in conjunction with the unaudited interim consolidated financial statements of Encanto Potash Corp. (the "Company") for the nine months ended September 30, 2009, together with the Company's audited consolidated financial statements for the year ended December 31, 2008, and the accompanying management's discussion and analysis for the fiscal period then ended ("the Annual MD&A"). All amounts are expressed in Canadian dollars unless otherwise indicated and have been prepared in accordance with Canadian generally accepted accounting principles.

**Forward-Looking Statements**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 24, 2009.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

## **General**

On July 13, 2009, Angus Ventures Corp (“Angus”) acquired all of the issued and outstanding common shares of a private Alberta Company (“Encanto”) in exchange for 87,531,153 common shares of Angus. As a result of this transaction, the shareholders of Encanto acquired more than 50% of Angus’s issued and outstanding common shares and the transaction was accounted for as a reverse takeover (“RTO”). Upon completion of the RTO, the shareholders of Encanto obtained control of the consolidated entity. Under the purchase method of accounting Encanto has been identified as the acquirer, and accordingly the entity is considered to be a continuation of Encanto with the net assets of Angus at the date of the RTO deemed to have been acquired by Encanto (Note 3 to the financial statements). The interim consolidated financial statements for the nine-month period ended September 30, 2009 include the results of operations of Encanto from January 1, 2009 and of Angus from July 13, 2009, the date of the RTO. The comparative figures are those of Encanto.

Effective July 14, 2009, Angus changed its name from Angus Ventures Corp. to Encanto Potash Corp.

The Company is an exploration stage company that is building a mineral property inventory that is focused on potash prospects located in Saskatchewan.

The Company currently is a reporting issuer in the provinces of Alberta and British Columbia and trades on the TSXV under the trading symbol “EPO.”

## **Saskatchewan Potash Properties**

### *First Nations Potash Prospects*

The Company has been actively engaged in the business of acquiring, exploring and developing potash mineral prospects. Through ERL, the Company has entered into five Memorandums of Understanding (“MOU’s”) and three Exploration Participation Agreements (“EPA’s”) with eight Bands. The Company has obtained two permits to explore and develop potash minerals on certain First Nation Reserve Lands (“a Permit”) in Saskatchewan. Subsequent to September 30, 2009, the Company obtained two additional Permits.

The Company has primarily been performing Seismic 2D exploration on the potash properties and working towards finalizing the agreements with the First Nations Bands. Refer to the interim consolidated financial statements for the period ended September 30, 2009 for the key terms and conditions of the MOU’s and EPA’s.

As reported in a news release dated November 19, 2009, the Company announced that it has begun drilling at the Ochapowace prospect and is coring through the prairie evaporate; the geological formation that hosts the Saskatchewan potash beds. Management also reported that drilling will begin shortly on the Muskowekwan prospect as the Company has received the Indian and Northern Affairs Canada (“INAC”) drilling permit and the 3D seismic permit.

### *Spar Property and KP452 Claim*

By an agreement dated June 15, 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 \$0.25 per share for a value of \$4,961,631, being Lion’s acquisition costs and exploration costs incurred to date on the Lion Potash Properties.

Further, Lion has agreed to incur \$6.5 million of exploration expenditures on the Company’s potash properties by December 31, 2009 to earn a 51% interest in the properties (including the Lion Potash Properties), which interest the Company has the option to repurchase for 26,000,000 shares.

The Company issued 500,000 shares as a finder’s fee with a fair value of \$125,000 in respect of these transactions to an independent third party.

Pursuant to an agreement entered into by Lion and the Lion Potash Properties vendor in January 2008 and modified by a settlement agreement dated October 28, 2008, Lion had made all required share issuances and cash payments to exercise the option, other than the payment of \$1,000,000. The Company paid this amount in September 2009. The optionor retains a 2% net smelter return on the property.

### **Quarterly Results**

The Company was not a reporting issuer in any jurisdiction prior to the completion of the RTO with Angus. Accordingly, the Company was not required to prepare quarterly financial statements for any period since incorporation. Given that the current business plan of the Company commenced on or about January 1, 2008, the Company has included below quarterly information commencing on that date.

	Three months ended			
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Total revenue	-	-	-	-
Net (loss) income	\$ (1,357,685)	\$ (492,860)	\$ 290,347	\$ (707,629)
Net (loss) income per share (basic and diluted)	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.01)
Deferred exploration expenditures	\$ 5,833,475	\$ 873,916	\$ -	\$ 1,815,320
Total assets	\$ 11,397,341	\$ 6,234,226	\$ 4,206,461	\$ 4,478,023

	Three months ended		
	September 30, 2008	June 30, 2008	March 31, 2008
Total revenue	-	-	-
Net (loss) income	\$ (604,465)	\$ (753,330)	\$ (317,138)
Net (loss) income per share (basic and diluted)	\$ (0.01)	\$ (1.59)	\$ (158,569)
Deferred exploration expenditures	\$ (50,000)	\$ 2,078,331	\$ 50,000
Total assets	\$ 2,390,078	\$ 2,345,785	\$ 97,103

The net income reported in the quarter ended March 31, 2009, resulted from the Company recording a credit to its statement of operations with respect to income tax benefits not previously recognized and which arose from the renunciation of flow-through expenditures in the quarter. During the quarter ended September 30, 2009, the Company recorded an additional credit with respect to income tax benefits based on a revision of the tax rates used to calculate the credit.

During the quarters ended September 30, 2009 and 2008, the Company recorded stock-based compensation expense of \$1,043,302 and \$476,000 respectively that was not recorded in any other quarter.

The increase in total assets during the quarters ended June 30, 2009, December 31, 2008 and June 30, 2008 were due to the completion of private placement financings during those quarters. The increase in deferred exploration expenditures during the quarters reflects exploration activity conducted by the Company on its mineral prospects, funded by the financings completed in the respective quarters. During the quarter ended September 30, 2009, the total assets and mineral properties increased due to the acquisition of the Lion Potash Properties (\$6,086,631).

## Results of Operations

### *Nine Months Ended September 30, 2009 As Compared To Nine Months Ended September 30, 2008*

During the nine months ended September 30, 2009, the Company reported a net loss of \$1,560,198 (\$0.02 per share) as compared to net loss of \$1,675,113 (\$0.09 loss per share). Included in the 2009 figure is a recovery of future income taxes in the amount of \$607,000. This amount arises in connection with the Company's accounting for its tax benefit forgone from issuing flow-through shares and renouncing the related qualifying Canadian Exploration Expenditures to the flow-through share subscribers. The 2008 loss per share figure is higher than the 2009 loss per share figure as the Company had 18,179,455 shares issued and outstanding on a weighted-average basis during the 2008 period compared with 90,440,509 during the 2009 period.

The business activity in the first nine months of 2009 was somewhat different than in the same period in 2008. During the 2008 period the Company was in the initial stages of developing its current business plan which involved striking agreements with various First Nations Bands for exploration rights on their lands and initiating exploration activities. During the 2009 period, business activities involved working through the regulatory process to formalize certain of the

prior agreements and refining exploration programs based on previous work. Drilling has commenced on certain of the potash prospects. Only limited activity was directed towards acquiring exploration rights on additional First Nations Band lands. During the current period, considerable time and effort was dedicated to concluding the reverse take-over transaction with Angus and completing the acquisition of the Lion Potash Properties.

Accounting and audit fees of \$142,319 (2008 - \$533) were incurred during the current period, and resulted in part from accounting and audit fees related to the 2008 audit, the first year of audit for the Company, and in part from accounting and auditor services rendered with respect to the financial information compiled and filed with regulators in connection with the reverse take-over transaction with Angus. The amount of fees for accounting and audit services is expected to decrease in the fourth quarter of 2009 and thereafter unless further corporate transactions are undertaken.

Consulting fees of \$418,687 (2008 - \$519,914) in the current period include approximately \$113,000 related to meetings and consultations with First Nations Bands with the residual charges related to corporate activities. The 2008 charges include approximately \$304,000 related to consultations and meetings with First Nations Bands with the residual costs related to corporate matters. It is likely that the fees charged with respect to working with First Nations Bands will remain a significant component of the Company's overhead charges while general corporate consulting fees are expected to decrease somewhat on a go-forward basis.

Filing and transfer agent fees of \$73,849 (2008 - \$245) during the nine months ended September 30, 2009 are due to listing fees on the TSX Venture Exchange related to the reverse take-over transaction with Angus. Ongoing fees are expected to be much less significant save and except for annual listing fees and other annual regulatory fees.

Legal fees of \$194,853 (2008 - \$38,073) increased on a period over period basis in part because of services rendered in connection with the RTO transaction with Angus and in part with respect to revising the form and content of the agreements between the Company and the various First Nations Bands. The RTO transaction with Angus was completed on July 13, 2009 and the First Nations Bands agreements were substantially completed by September 30, 2009. Ongoing legal fees are expected to decrease, dependent on the corporate activities of the Company over the coming months.

Management fees of \$56,102 in the current period decreased from \$446,628 in the comparable period. Included in the 2008 figure is an amount of approximately \$144,000 that is a payout to ERL's prior management of ERL's accumulated earnings to December 31, 2007. The residual management fees incurred during the first six months of 2008 were for services rendered in connection with assembling the land package (and related MOU's) that the Company acquired in Saskatchewan. This process was substantially completed by the end of June 2008 and thereafter management fees have been substantially less.

Stock-based compensation expense of \$1,043,302 (2008 - \$476,000) was recorded based on options granted subject to completion of the RTO with Angus, which occurred on July 13, 2009. A total of 12,250,000 options were granted at a weighted average exercise price of \$0.18. Of this amount, 750,000 options were granted to certain charitable organizations and the stock-based compensation related to these options amounted to \$78,792 (2008 - \$nil). In the 2008 period, the Company recorded stock-based compensation expense based on the issuance of 7,550,000 warrants to certain directors, officers and consultants as compensation for services rendered.

*Three Months Ended September 30, 2009 As Compared To Three Months Ended September 30, 2008*

During the three months ended September 30, 2009, the Company reported a net loss of \$1,775,555 (\$0.01 per share) as compared to net loss of \$604,645 (\$0.01 loss per share). The variance in expenses recorded on a quarter-over-quarter basis occurred for much the same reasons as the corresponding variances recorded for the nine-month periods described above.

**Capital Expenditures**

During the nine months ended September 30, 2009, the Company incurred cash expenditures of approximately \$601,000 on exploration of the Saskatchewan potash mineral prospects, \$50,000 on cash acquisition costs for the First Nations Potash Prospects, and \$1,000,000 on cash acquisition costs for the Lion Potash Properties.

During the nine months ended September 30, 2008 the Company incurred approximately \$2,064,000 relating to the acquisition and exploration of potash mineral prospects. The acquisition of the potash mining prospects was substantially completed during this period. Prior to 2008 ERL incurred relatively nominal capital expenditures, with any such expenditures related to oil and gas interests.

The Company expects that its capital expenditures will increase in future reporting periods with the ongoing exploration and development of its potash mineral prospects. Pursuant to the Lion Agreement, Lion must incur \$6,500,000 on the Company's potash properties in order to earn a 51% interest in the properties (including the Lion Potash Properties).

**Financing Activities**

During the nine months ended September 30, 2009, the following financings were completed:

- i) The Company received \$1,137,449 as a result of the RTO with Angus completed on July 13, 2009. This amount is treated as a financing activity as the acquisition of Angus was a RTO with a non-operating public company.
- ii) On April 24, 2009 and May 12, 2009, the Company completed private placements of 12,073,192 units at a price of \$0.125 per unit for cumulative gross proceeds of \$1,509,149. Each unit is comprised of one non-flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional non-flow-through common share at \$0.20 per share at dates varying from April 24, 2011 to May 12, 2011.

The agent for the offering received a commission consisting of \$164,657 cash, \$30,000 as payment of corporate finance fees and 1,769,384 broker warrants entitling the agent to purchase 1,769,384 common shares of the Company at \$0.20 per share until dates varying from April 24, 2011 to May 12, 2011.

- iii) On April 24, 2009, the Company completed a private placement of 5,620,658 flow-through shares at a price of \$0.15 per flow through share for gross proceeds of \$843,099

In November 2009 the Company announced that it had agreed to complete a non-brokered private placement of up to 4,762,000 units at \$0.21 per unit for gross proceeds of up to \$1,000,000.

Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share of the Company at \$0.35 for 24 months from the date of closing of the private placement.

### **Liquidity and Capital Resources**

#### *Nine months Ended September 30, 2009*

The Corporation's operations consumed approximately \$1,079,000 of cash (before working capital items) for the nine months ended September 30, 2009 (2008 – \$987,000). An additional approximate \$1,651,000 of cash was utilized to acquire and explore potash mineral prospects during 2009 (2008 - \$2,064,000).

The cash requirement to fund operations and capital expenditures in 2009 was fulfilled primarily from financings completed throughout the year, as described elsewhere in this report. The Company's cash requirement with respect to the potash mineral property exploration during the third and fourth quarters of 2009 is being funded by Lion pursuant to the Lion Agreement, as described elsewhere in this report.

The Corporation's aggregate operating, investing and financing activities during 2009 resulted in a net increase in its cash balance from \$183,996 at December 31, 2008 to \$529,992 at September 30, 2009.

Between December 31, 2008 and September 30, 2009, the Company's working capital increased by approximately \$465,000 due to proceeds of share issuances, net of expenditures on operating activities and potash mineral prospects.

The Company's working capital as at September 30, 2009 of \$635,042 may not be sufficient to fund operations for the next twelve months, based on the cash consumed in operations of \$1,079,000 for the nine months ended September 30, 2009. As in the past, the Company will rely on equity financing as the primary source of funds. In this regard, the Company announced in November 2009 that it had agreed to complete a non-brokered private placement of up to 4,762,000 units at \$0.21 per unit for gross proceeds of up to \$1,000,000. Further, pursuant to the agreement with Lion, \$6.5 million of exploration expenditures incurred on the Company's properties up to the end of December 2009 have been provided by Lion.

### **Transactions with Related Parties**

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 of:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Accounting fees	\$ 21,192	\$ -	\$ 68,511	\$ -
Consulting fees	3,500	26,747	20,000	26,747
Management fees	23,102	-	56,102	446,628
Office rent	8,852	9,322	12,728	9,322
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	\$ 56,646	\$ 36,069	\$ 157,341	\$ 482,697

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

At September 30, 2009, due to related parties is comprised of amounts due to directors and officers of the Company and/or companies they owned or were significant shareholders of.

### **Dependence on Management**

The Company strongly depends on the business and technical expertise of its small management team and there is little possibility that this dependence will decrease in the near term.

### **Critical Accounting Estimates**

The Corporation's consolidated financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Corporation's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2008. These audited consolidated financial statements are included in the Filing Statement filed on SEDAR on July 3, 2009.

The accounting estimates considered to be significant to the Corporation include the carrying values of mineral properties, in particular an assessment of impairment in such values; the computation of stock-based compensation expense; the computation of the fair value of warrants included in security offerings made by the Company or paid as commissions with respect to security offerings; and the computation of future income tax assets and liabilities.

Management reviews the carrying values of its mineral properties on at least an annual basis to determine whether an impairment of carrying value should be recognized. In addition, capitalized costs related to abandoned properties are written-off in the period of abandonment. During 2008 the Company wrote-off or wrote-down the costs attributable to certain of its mineral properties, recognizing a non-cash charge to its statement of operations in the amount of \$346,678. This was recorded in the fourth quarter of 2008. No write-down or write-off of mineral properties was recorded in the nine months ended September 30, 2009. Capitalized costs in respect of the Company's mineral claims amounted to \$10,601,042 as at September 30, 2009 and \$3,893,651 as at December 31, 2008. These costs may not be recoverable and there is a risk that these costs may be written down in future quarters.

The Company uses the fair-value method of accounting for stock-based compensation related to compensation warrants issued. Under this method, compensation cost attributable to all compensation warrants issued to employees is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. With respect to compensation warrants issued to consultants and other non-employees that have vesting terms, the compensation cost is revalued at each respective vesting date or period end, as the case may be. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During the year ended December 31, 2008 the Company recorded a stock-based compensation expense of \$476,000 (2007 and 2006 - \$nil). During the nine months ended September 30, 2009 \$1,043,302 (2008 - \$476,000) of stock-based compensation expense was recorded.

The Company uses the relative fair value method of accounting for warrants included in security offerings. Under this method, the warrants are measured at fair value at the date of issue. This value is pro-rated against the aggregate value of the warrants and units offered, and recorded to contributed surplus. In addition, the Company computes the fair value at the date of issue of agent's warrants issued in connection with security offerings and charges the cost of such to offering expenses with an offsetting credit to contributed surplus. In determining the fair value of all warrants, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the warrants being less than or greater than the amount recorded.

During 2008 an aggregate fair value of \$37,500 was ascribed to warrants contained in unit security offerings. In addition, during 2008 a fair value of \$76,700 was ascribed to certain broker options issued by the Company in connection with security offerings it made. During the nine months ended September 30, 2009, \$331,745 was ascribed to warrants contained in unit security offerings and a fair value of \$124,635 was ascribed to certain broker options issued by the Company in connection with the security offerings made.

Management computes the recovery of future income tax assets based on the amount of qualifying flow-through expenditures that have been renounced to investors during the year and after taking into account the estimated corporate income tax rate during such fiscal period and the availability of unrecorded income tax assets. During the nine months ended September 30, 2009 an amount of \$607,000 (2008 - \$nil) was recorded to the Company's accounts.

## **Changes in Accounting Policies Including Initial Adoption**

### *Recently Adopted Accounting Pronouncements*

#### i) Goodwill and intangible assets

The CICA issued new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and accordingly, the Company adopted the new standard on January 1, 2009. The adoption of this standard has not had any significant impact on these consolidated financial statements.

### Future Accounting Changes

i) Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", 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). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

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).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

ii) 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 Corporation for the year ended December 31, 2010. The Corporation 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.

## **Financial Instruments**

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash, other receivables, due from and to related parties, 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.

### Foreign Exchange Risk

As at September 30, 2009 and December 31, 2008, 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. Other receivables consist of payments made to a First Nations Band. With respect to other receivables, the Company has historically collected substantially all of these balances and is not aware of circumstances that would indicate a change in credit risk associated with these balances.

### 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.

### 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.

## **Outstanding Share Data**

a) Authorized:

Unlimited common shares without par value  
Unlimited preference shares issuable in series

b) Issued and outstanding:

134,694,359 common shares as at November 24, 2009

c) Outstanding warrants and options as at November 24, 2009 totalled 16,494,489 warrants and 12,250,000 options as follows:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	7,550,000	\$0.10	August 11, 2010
Share purchase warrants	536,006	\$0.25	November 14, 2010
Share purchase warrants	652,503	\$0.50	November 14, 2010
Share purchase warrants	6,302,856	\$0.20	April 24, 2011
Share purchase warrants	1,453,124	\$0.20	May 12, 2011
Stock options	10,250,000	\$0.17	July 13, 2019
Stock options	2,000,000	\$0.25	September 16, 2019

### **Disclosure Controls and Procedures**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim consolidated financial statements for the nine months ended September 30, 2009 and this accompanying MD&A.

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Risks and Uncertainties**

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

- Financial risks include commodity prices, interest rates and the Canadian/United States exchange rate, all of which are beyond the Company's control. In addition, the recent events in the global financial markets have had a profound impact on the global economy. Virtually all industries, including mining for potash, are impacted by these market conditions, which have included: a sharp contraction in the credit markets resulting in a widening of credit risk spreads and higher costs of funding; a deterioration in the credit ratings of numerous large financial institutions; devaluations and high volatility in global equity, commodity, foreign exchange and metals markets and a corresponding lack of market liquidity; and a slowdown in economic activity that is affecting major global economies. These events could have a significant impact on the Company.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

### **Outlook**

The Corporation's primary focus for the foreseeable future is to advance the acquisition, exploration and development of potash mineral deposits, primarily located on First Nations Band lands in Saskatchewan, Canada.