

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

The following information, prepared as of November 26, 2010, should be read in conjunction with the unaudited interim consolidated financial statements of Encanto Potash Corp. (the "Company") for the three and nine-month periods ended September 30, 2010, together with the Company's audited consolidated financial statements for the year ended December 31, 2009, and the accompanying management's discussion and analysis for the fiscal year then ended ("the Annual MD&A"). All amounts are expressed in Canadian dollars unless otherwise indicated. All of the Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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 including, without limitation, the interpretation of drill results, future equity financing activities, potential off take agreements and potential strategic investors. 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 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 26, 2010.
- 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. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; actual results of current exploration activities; conclusions of economic evaluations; future prices of metals; failure of plant, equipment or processes to operate as anticipated accidents, labour disputes and other risks of the mining industry delays in obtaining governmental approvals of financial or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties". 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

The Company is an exploration stage company that is building a mineral property inventory that is focused on potash prospects located in Saskatchewan (the "Potash Property Interests").

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 December 31, 2009 audited consolidated financial statements). The consolidated financial statements for the year ended December 31, 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.

On July 24, 2009, in a transaction with Lion Energy Corp. ("Lion"), the Company increased its Potash Property Interests with the acquisition of Lion's potash properties in Saskatchewan for 19,846,525 Encanto common shares having a deemed value of \$0.25 each for gross consideration of \$4,961,631 (the "Lion Potash Properties"). Further, the agreement with Lion provided that Lion could earn a 51% working interest in the Potash Property Interests, including the Lion Potash Properties, in consideration for Lion's commitment to incur \$6,500,000 of expenditures on the Potash Property Interests by not later than December 31, 2009 (the "Lion Commitment"). Further, Encanto retained the option to repurchase the earned 51% working interest for 26,000,000 common shares. As at December 31, 2009, Lion had fulfilled its obligations under the agreement and earned a 51% interest in the Company's Potash Property Interests.

Since December 31, 2009, the Company has completed the following significant transactions/initiatives:

- On February 3, 2010, the Company exercised its option to repurchase the 51% interest in the Potash Property Interests held by Lion by issuing 26,000,000 common shares at a fair value of \$5,460,000 to Lion.
- On July 6, 2010, the Company completed a \$6,000,000 brokered private placement in consideration for 33,333,332 flow-through shares at a price of \$0.15 each and 6,666,667 non-flow-through units at a price of \$0.15 each. The Company is committed to spend the \$5,000,000 flow-through portion of the proceeds on qualifying Canadian Exploration Expenses as defined under the *Income Tax Act, Canada* ("Qualifying CEE) on or before December 31, 2011.
- On September 16, 2010, the Company, together with five of its First Nations' partners completed a series of transactions with Sundance Resources Corp., a private Alberta oil and gas exploration company ("Sundance"), that resulted in Encanto receiving a total of 10,600,000 common shares of Sundance and \$200,000 cash in consideration for assigning its interests in certain oil and gas rights and licensing its interest in certain seismic data to Sundance.
- On October 20, 2010, the Company closed a non-brokered \$2,097,000 private placement of 11,650,000 units.

- On October 22, 2010, the Company and the Muskowekwan First Nation (“MFN”) together with Muskowekwan Resources Ltd. (“MRL”) announced a formal joint venture agreement (“JVA”) for the purpose of developing and operating a proposed potash mine on the MFN's reserve lands (the “Lands”). Upon signing the JVA, the Company committed to issue 200,000 shares and 200,000 share purchase warrants, exercisable at a price of \$0.22 with an expiry date of October 22, 2012. In addition, the MFN will be paid a fee totaling \$1,000,000 based on certain milestones being achieved over the next 18 months of which the initial \$200,000 was paid in October 2010 (see also “*Muskowekwan First Nation Prospect*” discussed elsewhere herein).
- Based on interpreted results of the Company’s 3D Seismic Survey over the MFN Prospect, a four-well drill program (estimated cost \$3.2 million) was initiated late in the third quarter.
- On November 5, 2010, the Company reported the assay results of the first well which was located approximately 3.5 kilometres southeast of the Lestock 2-9 test hole. Results were encouraging (3.4 meters at 25.3% K₂O in the Patience Lake Member and 5.1 meters at 23.9% K₂O in the Belle Plaine Member) with the thicknesses and grades being comparable to the Lestock 2-9 hole.
- On November 22, 2010, the Company reported the assay results of the second well which was located approximately 4.3 kilometres northwest of the Lestock 2-9 test hole. Results continue to be encouraging (3.3 meters at 22.2% K₂O in the Patience Lake Member and 3.7 meters at 26.2% K₂O in the Belle Plaine Member).

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 - Exploration Summary

Muskowekwan First Nation Prospect

Through Encanto Resources Limited (“ERL”), on July 31, 2009 the Company entered into Exploration Participation Agreements (“EPA’s”) with MFN and MRL on two separate areas of the 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, the 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. The consideration paid by the Company for the exclusive right to conduct exploration activities on the MFN’s reserve lands, as authorized by the permits, is disclosed in Note 3 to the September 30, 2010 unaudited interim consolidated financial statements.

The Company has completed an approximate 63 square mile 3D Seismic Survey over the Muskowekwan reserve as a follow up to an earlier 2D Seismic Survey. Seismic interpretation completed by Boyd PetroSearch (Calgary) (“Boyd”) indicated the Prairie Evaporite Formation appears for the most part to be continuous and structurally undisturbed over the majority of the Muskowekwan Home Reserve. The nature of the beds combined with the encouraging results (3.6 meters at 25.2% K₂O in the Patience Lake Member and 2.4 meters at 25.5% K₂O in the Belle Plaine Member) from the core analysis of the potash members encountered in Encanto’s initial Lestock 2-9 test hole warranted further delineation drilling on the Muskowekwan Project.

As such, during the third quarter of 2010 the Company’s exploration objective was to design and execute a four-well delineation drilling program based on the positive results from the 3D Seismic Survey. Boyd and North Rim Exploration (Saskatoon) collaborated in the detailed interpretation of the Company’s 63 square mile Muskowekwan 3D survey to select the optimum

drilling locations from both a geotechnical and resource determination view. A four-well program at an estimated cost of \$3.2 million was recommended to and accepted by the Company.

The locations of the four wells were identified, licensed and drilling rigs contracted with an expected start of the drilling program in early September. Drilling of the first well could not be started until September 28, 2010 as a result of an extremely wet Saskatchewan summer resulting in access issues. During October a second drilling rig was retained and by mid-November all four wells had been drilled.

On November 5, 2010, the Company reported the assay results of the first well which was located approximately 3.5 kilometres southeast of the Lestock 2-9 test hole. Results were encouraging (3.4 meters at 25.3% K₂O in the Patience Lake Member and 5.1 meters at 23.9% K₂O in the Belle Plaine Member) with the thicknesses and grades being comparable to the Lestock 2-9 hole.

Assay results on the remaining two wells are not expected until December 2010. Consequently, North Rim Exploration has advised Encanto that the NI 43-101 resource report on the MFN Prospect is now likely to be delivered in January, 2011.

Other First Nations Prospects

As at September 30, 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 disclosed in Note 3 to the September 30, 2010 unaudited interim consolidated financial statements.

The Company conducted an exploration program which consisted of a 2D Seismic Survey as well as completing one exploration drill hole to a depth of approximately 1,250 meters. The active structuring at the Prairie Evaporite level plus the relatively poor potash grade encountered in the test well caused the Company to proceed with a 3D Seismic Survey on the MFN Prospect. The Company still sees value in the Ochapowace property and will reassess its results by the end of the 2010 fiscal year to determine a course of action. No work is contemplated on the various other First Nations Band lands in 2010, as the Company is currently focusing on the MFN Prospect.

Spar Property and KP452 Claim

By an agreement dated July 24, 2009, effective August 11, 2009, between the Company and Lion, the Company acquired the Lion Potash Properties for a fair value of \$4,961,631 (19,846,525 common shares at \$0.25 per share), being the total acquisition and exploration costs incurred by Lion up until July 24, 2009 in the acquisition and exploration of the Lion Potash Properties.

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). Lion complied with this obligation thereby earning a 51% interest in the Company's Potash Property Interests. Of these expenditures, approximately \$4.9 million were incurred on the MFN Prospect and \$1.6 million were incurred on 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.

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.

There is a 2% net smelter return royalty attached to the Lion Potash Properties.

The only work presently contemplated on the Spar property is an engineering assessment of the past work and future potential of the property.

Investment

During the three-month period ended September 30, 2010, the Company completed a series of transactions with Sundance (the "Sundance Transactions") whereby Sundance licensed seismic data from five First Nations Bands (the "Bands") and the Company (the "Seismic Agreement"). The seismic data was produced by the Company in the conduct of its potash exploration programs. In addition, Sundance secured oil and gas rights jointly held by the Company and two of the Bands pursuant to farm-in agreements among those Bands and the Company (the "O&G Farm-in Agreements") (see note 4 to the accompanying unaudited interim consolidated financial statements for the nine months ended September 30, 2010 for additional information).

In connection with the Sundance Transactions, in consideration for its interests in certain seismic data and oil and gas rights that had been acquired from two of the First Nations, the Company received a total of 10,600,000 Sundance shares having a fair value of \$0.20 each for gross consideration of \$2,120,000 and cash payments totalling \$200,000 for total proceeds of \$2,320,000.

In the event that the Company can come to terms with respect to oil and gas rights held by any of the three remaining First Nations that are party to the Seismic Agreement, and can assign such oil and gas rights to Sundance on terms comparable to those secured from the two First Nations who have come to terms, Sundance has committed to pay the Company an additional 2,800,000 Sundance shares and \$100,000 cash per agreement. Accordingly, the Company could potentially receive up to an additional 8,400,000 Sundance shares ("Potential Additional Sundance Shares") and \$300,000 cash in the event that it is able to secure oil and gas rights from all three of the remaining First Nations.

Sundance is currently a privately incorporated company that is planning to go public. In the event, that Sundance fails to have its shares listed for trading on a public stock exchange by not later than June 30, 2011, the Company retains the right to convert 5,000,000 of its Sundance shares into \$1,000,000 cash.

Quarterly Results

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended September 30, 2010.

Three months ended				
	September 30, 2010	June 30 2010	March 31, 2010	December 31, 2009
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (958,325)	\$ (404,560)	\$ (390,000)	\$ (1,231,211)
Net loss per share (basic and diluted) ⁽¹⁾	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Mineral property expenditures	\$ 1,515,716	\$ 567,644	\$ 5,758,268	\$ 203,408
Total assets	\$ 22,826,572	\$ 17,372,101	\$ 17,436,993	\$ 12,149,184

Three months ended				
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Total revenue	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ (1,357,685)	\$ (492,860)	\$ 290,347	\$ (593,811)
Net income (loss) per share (basic and diluted) ⁽¹⁾	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.01)
Mineral property expenditures	\$ 5,833,475	\$ 873,916	\$ -	\$ 1,815,320
Total assets	\$ 11,397,341	\$ 6,234,226	\$ 4,206,461	\$ 4,478,023

⁽¹⁾ The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

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 quarter ended December 31, 2009, the Company reclassified \$525,000 from the statement of operations to the balance sheet as a future income tax liability due to future tax liabilities in excess of future tax assets on a non-consolidated basis.

During the quarters ended September 30, 2010, June 30, 2010, March 31, 2010, December 31, 2009, and September 30, 2009, the Company's reported losses included stock-based compensation of \$493,317, \$57,276, \$74,189, \$156,954 and \$1,043,302 respectively.

The increase in total assets during the quarters ended September 30, 2010 and June 30, 2009, and September 30, 2009, was due to the completion of private placement financings during those quarters. The increase in deferred exploration expenditures during the quarters ended March 31, 2010 and September 30, 2009 reflects the share consideration paid to exercise the option on the Lion 51% earn-in on the Potash Property Interests and for the Lion Potash Properties purchase respectively.

Results of Operations

Overall discussion of 2010 operations compared to 2009

Business activities in fiscal 2010 have focused primarily on the continued exploration of the Company's Potash Property Interests whereas in the comparative period for fiscal 2009, business activities focused primarily on working through the regulatory process to formalize certain of the prior agreements with First Nations Bands and to complete the RTO.

Accordingly, during the second, third and fourth quarters of fiscal 2009, operating expense levels in each respective three-month period have been driven by the occurrence of three overriding factors: first, completion of the RTO and related reorganization in the quarters ended June 30, and September 30, 2009 which contributed to increased accounting, legal, filing and transfer agent fees in those quarters; second, post-acquisition reorganization administrative activities which resulted in increased management fees and investor relations in the quarters since September 30, 2009; and third, stock-based compensation in the periods since June 30, 2009 as the Company implemented its exploration plans, secured financing and retained the necessary management expertise and services.

Nine months ended September 30, 2010 as compared to nine months ended September 30, 2009

During the nine months ended September 30, 2010, the Company reported a net loss of \$1,752,885 or \$0.01 loss per share (2009 - net loss \$1,560,198 or \$0.02 loss per share) as calculated on a weighted average number of shares outstanding of 177,273,784 (2009 - 90,440,509). During the current period, consistent with the preceding overall discussion of operations, management fees, salaries and benefits; office expenses; investor relations; and travel and accommodation were all higher compared to expenses incurred in the prior year. Likewise, audit, legal, filing and transfer agent fees declined in the current period compared to the 2009 period.

With respect to consulting fees (\$310,348 in the current period), the Company incurs basic on-going consulting fees with First Nations in the administration of field operations that can be expected to average in the order of \$12,000 per month and a monthly corporate advisory fee of \$5,000. In 2010, consulting fees include basic on-going corporate advisory and First Nations fees in the order of \$153,000 plus approximately \$157,000 incurred with respect to the consolidation of mineral title tenures and completing a definitive agreement with the MFN.. These latter expenditures culminated in the signing of the JVA with the MFN on October 22, 2010 which management considers to be a major milestone toward the Company's ability to commercially develop its Potash Property Interests.

For 2009, consulting fees totalled \$418,687 of which approximately \$113,000 related to meetings and consultations between First Nations Bands and the Company, with the residual charges relating to corporate activities.

Compared to the prior year, investor relations and miscellaneous expenses have increased \$196,032 to \$266,995 in the nine months ended September 30, 2010. In 2010, the Company continued with a major effort to raise investor awareness that was initiated in the last quarter of 2009. Included in the 2010 expenses are \$103,500 in corporate advisory fees, approximately \$75,000 in collateral charges including printing, mailing, travel to trade shows and related promotional costs, and \$29,500 for web site maintenance and development.

The operations for the nine-month period ended September 30, 2009 include a recovery of future income taxes in the amount of \$607,000. This amount arose in connection with the Company's accounting for tax benefits forgone upon issuing flow-through shares and renouncing the related qualifying Canadian Exploration Expenditures to the flow-through share subscribers. During the quarter ended December 31, 2009, \$525,000 of this amount was reclassified to future income tax liability as described above. During the quarter ended March 31, 2010, the Company renounced qualifying Canadian Exploration Expenditures relating to flow-through shares issued in April 2009 and recorded the tax benefits forgone as an increase to future income tax liability of \$211,000.

Three months ended September 30, 2010 as compared to three months ended September 30, 2009

During the three months ended September 30, 2010, the Company reported a net loss of \$958,325 or \$0.00 loss per share (2009 - net loss \$1,357,685 or \$0.01 loss per share). The primary reason for the decreased loss was because of a lower amount of stock-based compensation recorded in the current period (\$493,317) as compared to the third quarter of 2009 (\$1,043,302) offset somewhat in the 2009 fiscal period by a future income tax recovery in the amount of \$60,000 (2010 - \$nil). The reasons for the \$21,789 increase in consulting fees to \$164,330 for the three months ended September 2010 from \$142,541 in the prior year are outlined in the discussion of operations for the nine-month period ended September 30, 2010.

Capital Expenditures

During the nine months ended September 30, 2010, the Company incurred expenditures of approximately \$7.8 million on exploration and acquisition of its Potash Property Interests of which approximately \$5.5 million relates to 26,000,000 shares issued by the Company during the first quarter of 2010 pursuant to reacquiring Lion's 51% working interest in the Potash Property Interests. During the nine months ended September 30, 2009, the Company incurred expenditures of approximately \$6.7 million on exploration and acquisition of its Potash Property Interests including \$1.0 million cash plus approximately \$5.1 million deemed value of 20,346,525 shares (including 500,000 shares issued as a finders' fee) issued by the Company for Lion's Potash Properties.

Offsetting these expenditures in the current period is an amount of approximately \$2.3 million which is the recorded proceeds received during the third quarter of 2010 on completion of the Sundance Transactions.

Excluding the mineral property acquisition transactions and the Sundance Transactions, the Company incurred approximately \$2.3 million of exploration expenditures during the nine months ended September 30, 2010 (\$1.5 million during the third quarter), substantially all of which was expended on the MFN Prospect.

Under the terms of the flow-through offering of July 6, 2010, the Company is committed to spend \$5 million in Qualifying CEE expenditures by not later than December 31, 2011. As of November 26, 2010 the Company has spent approximately \$4.2 million against this commitment. Capital expenditures are expected to remain at significant levels for the foreseeable future as the Company continues to develop its Potash Property Interests.

In addition, with the signing of the definitive JVA on October 22, 2010, capital expenditure requirements can be expected to grow as the development of the MFN Lands advances. In order to meet these requirements the Company will require additional financing.

Financing Activities

During the nine months ended September 30, 2010, the Company completed a brokered private placement consisting of 33,333,332 flow-through shares at a price of \$0.15 each and 6,666,667 non-flow-through units at a price of \$0.15 each for aggregate gross proceeds of \$6,000,000, net \$5,448,606. Each non-flow-through unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.20 at any time until July 6, 2012. In addition to related out-of-pocket expenses, issue costs included agent compensation that consisted of a 6% commission on the gross proceeds and 2,400,000 broker warrants exercisable at a price of \$0.20 per common share at any time on or before July 6, 2012.

In addition, the Company received of \$762,333 pursuant to the exercise of 7,586,667 warrants.

Further, in the period since September 30, 2010, the Company completed a non-brokered private placement for 11,650,000 units at a price of \$0.18 each for gross proceeds of \$2,097,000. Each unit consisted of one common share and one-half of one whole warrant. Each whole warrant entitles the holder to acquire one additional share at a price of \$0.25 each at any time on or before October 20, 2012.

Liquidity and Capital Resources

During the nine months ended September 30, 2010, the Company's cash position increased \$2,923,489 (\$4,025,688 during the third quarter) to \$4,033,083 as at September 30, 2010. Operating activities consumed \$1,123,234 (\$463,452 during the third quarter) before working capital adjustments. Cash requirements for investing activities totaled \$2,278,681, (third quarter -

\$1,543,234) including \$2,340,787 (third quarter - \$1,654,840) for deferred exploration expenditures on the Company's Potash Mineral Interests. These cash requirements were funded from cash on hand at the beginning of the year, from the proceeds received on the brokered private placement completed during the third quarter, from the Sundance Transactions (\$200,000), and from the exercise of certain outstanding warrants. Subsequent to September 30, 2010, the Company completed a non-brokered private placement gross proceeds of \$2,097,000.

The Company's working capital increased from December 31, 2009 by \$2,801,193 (third quarter - \$4,214,387) to \$3,924,211 as at September 30, 2010.

As of November 26, 2010, the Company had working capital of approximately \$2,700,000 of which there is a commitment to spend approximately \$800,000 in Qualifying CEE expenditures by not later than December 31, 2011 as per the flow-through financing that was completed on July 6, 2010.

Transactions with Related Parties

During the three and nine-month periods ended September 30, 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 by companies they owned or in which they were significant shareholders:

	three months ended		nine months ended	
	2010	2009	2010	2009
Accounting fees	\$ 28,000	\$ 21,192	\$ 64,000	\$ 68,511
Legal fees	14,324	-	22,910	-
Share issue costs	17,107	-	17,107	-
Management fees	44,250	26,602	111,750	76,102
Office,	-	8,852	25,088	12,728
	\$ 103,681	\$ 56,646	\$ 240,855	\$ 157,341

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 September 30, 2010 is \$29,973 (December 31, 2009 - \$12,472) due to directors and officers of the Company and/or companies controlled by them or in which they are significant shareholders. The amounts owing are unsecured, non-interest bearing and due on demand.

Changes in Accounting Policies Including Initial Adoption

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.

International Financial Reporting Standards (“IFRS”)

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first consolidated financial statements presented in accordance with IFRS to be for the three-month period ending March 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS. In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan comprised of three phases:

PHASE	DESCRIPTION AND STATUS
<i>PRELIMINARY PLANNING AND SCOPING</i>	<p>This phase involved development of the IFRS conversion plan and has been completed. The IFRS conversion plan includes consideration of the impacts of IFRS on the Company’s consolidated financial statements, internal control over financial reporting, information systems and business activities such as compensation metrics, and personnel and training requirements.</p> <p>Based on Management’s review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics.</p> <p>The IFRS conversion plan includes a high level impact assessment of IFRS effective in 2009, as relevant to the Company. This initial assessment identified several standards of high or medium priority to the Company, based on a number of factors. The International Accounting Standards Board has activities currently underway which may, or will, change the standards effective upon the Company’s adoption of IFRS, and therefore may impact this initial high level assessment. The Company will assess any such change as a component of its Detailed Impact Assessment phase and update its IFRS conversion plan as appropriate. No significant changes were made to the IFRS conversion plan to date in 2010.</p>
<i>DETAILED IMPACT ASSESSMENT</i>	<p>This phase involved detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that will result in accounting and/or disclosure differences in the Company’s consolidated financial statements, along with quantification of impact on key line items and disclosures. The phase included identification, evaluation and selection of accounting policies necessary for the Company’s conversion to IFRS and evaluation of the impact on outstanding operational elements.</p>

IMPLEMENTATION	<p>This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant consolidated financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS consolidated financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective January 1, 2011. This requirement contemplates that prior year comparative information provided in the 2011 interim financial statements will be presented on an IFRS basis.</p> <p>The Company has prepared a preliminary balance sheet as at January 1, 2010 using IFRS accounting policies which has been submitted to the auditors for preliminary comment. Based on the work completed to date, the Company has not identified any significant adjustments to the balance sheet on conversion to IFRS from Canadian GAAP. In completing this work, the Company has evaluated significant areas of potential impact including share based payments, stock-based compensation, and business combinations including reverse take-over transactions.</p> <p>By the end of January 2011, the Company expects to have comparative draft 2010 financial information for presentation in the 2011 first and second quarter unaudited interim financial statements that are compliant with IFRS. Thereafter the Company will draft IFRS compliant note disclosures to accompany those financial statements that will serve as a basis for preparing IFRS compliant unaudited interim financial statements for the quarter ending March 2011 that must be filed by not later than 90 days after March 31, 2011.</p> <p>The Company's management and audit committee have sufficient training and experience to assess the IFRS conversion impacts discussed above and have reviewed the IFRS accounting policy selection documentation.</p>
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Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities. The Company designated cash and amounts receivable, as held-for-trading with any changes in fair value charged to operations. The Company designated accounts payable and accrued liabilities as other financial liabilities which are measured at amortized cost. The fair value of cash, amounts receivable, and accounts payable and accrued liabilities approximates their carrying value due to their short term nature.

The Company classifies the fair value of its financial instruments according to a fair value hierarchy based on the amount of observable inputs used to value the instrument as follows:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Level 2 valuation is based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The fair value of the Company's investment in Sundance common shares was determined on the basis of a Level 2 valuation using the proceeds from Sundance seed capital subscriptions and values of third party commercial transactions conducted in the oil and gas industry for similar seismic assets.

Discussions of risks associated with financial assets and liabilities are summarized below:

Foreign Exchange Risk

As at September 30, 2010, 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

When the Company holds surplus funds, the Company's policy is to invest in guaranteed investment certificates ("GIC's") that are highly liquid. As such, to the extent that the Company has surplus funds invested in GIC's it becomes exposed to nominal interest rate risk.

Investment Price Risk

Investment price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The Company's investment in Sundance common shares was acquired pursuant to mineral property transactions (note 4 to the accompanying unaudited interim consolidated financial statements for the nine months ended September 30, 2010). The Company is subject to price risk due to changes in the fair value of the Sundance common shares. Sundance is not yet publicly traded. A 5% change in the fair value of the Sundance shares would result in a \$106,000 change in the value of the investment on the balance sheet with a corresponding charge to other comprehensive income.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. During the quarter ended September 30, 2010 the Company completed a brokered private placement for gross proceeds of \$6 million. The proceeds will be used to finance additional exploration activities at the MFN Prospect and to settle obligations as they come due. Subsequent to September 30, 2010, the Company completed a non-brokered private placement for gross proceeds of \$2,097,000.

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

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) Issued and outstanding:

225,312,935 common shares as at November 26, 2010

c) Outstanding warrants and options:

Expiry date	Exercise price	Number
Warrants		
April 24, 2011	\$0.20	6,246,189
May 12, 2011	\$0.20	1,453,124
October 13, 2011	\$0.20	200,000
October 28, 2011	\$0.23	200,000
November 9, 2011	\$0.24	400,000
November 30, 2011	\$0.35	2,380,954
July 6, 2012	\$0.20	5,733,333
October 20, 2012	\$0.25	5,824,999
October 22, 2012	\$0.22	200,000
		22,638,599
Options		
July 13, 2019	\$0.17	10,250,000
September 16, 2019	\$0.25	1,000,000
July 13, 2020	\$0.15	7,950,000
September 2, 2010	\$0.17	200,000
November 12, 2020	\$0.22	250,000
		19,650,000

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 three and nine-month periods ended June 30, 2010 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.

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

- Financial risks include commodity prices, interest rates and the Canadian/United States exchange rate, all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital and to repay indebtedness it incurs. In addition, the events in the global financial markets that occurred in late 2008 and early 2009 had a profound impact on the global economy. Virtually all industries, including mining for potash, were impacted by these market conditions that included among other things, a slowdown in economic activity that affected major and emerging economies globally. 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 Company's primary focus for the foreseeable future is to advance the MFN Prospect into a resource suitable for a Prefeasibility / Feasibility study. The Company anticipates this resource calculation will be released in early 2011 as assays have been received on three of the five resource holes already. It is expected that the assays for the remaining two holes will be received before the end of the year. North Rim Exploration has been retained to calculate the resource. Once the resource is received the next step will be to carryout either a Preliminary Economic Assessment or go straight into a Prefeasibility study. This matter is being reviewed at the current time and a determination is expected by mid December. The Company is also examining the merits of conducting seismic work on its Spar property and expects to take a decision on this issue in the next few weeks.