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

The following information, prepared as of April 28, 2010, should be read in conjunction with the audited consolidated financial statements of Encanto Potash Corp. (the "Company") for the year ended December 31, 2009. 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 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 April 28, 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

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 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.

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

Muskowekwan First Nation Prospect

Through Encanto Resources Limited ("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. The consideration paid by the Company for being granted the exclusive right to conduct exploration activities on MFN's reserve lands as authorized by the Permits, is disclosed in Note 5 to the audited consolidated financial statements.

The Company conducted an exploration program which consisted of a 2D Seismic Survey, one exploration drill hole of approximately 1,250 meters and a 3D Seismic program. The final results of the program are expected in the second quarter of 2010. It is expected the results of the exploration program will lead to an additional drill program and resource calculation by the third quarter or the fourth quarter of 2010.

Other First Nations Prospects

As at December 31, 2009, through ERL, the Company is a party to two other EPA's and four 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 5 to the audited consolidated financial statements.

The Company conducted an exploration program which consisted of a 2D Seismic Survey as well as completing one exploration drill hole of approximately 1,250 meters. The program was not as successful as the Muskowekwan exploration program and the Company decided to proceed with the 3D Seismic Survey on the Muskowekwan property at this time as the grade was more prospective. The Company still sees value in the Ochapowace property, included in Other First Nations Prospects, 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.

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 $0.25 per share for a fair value of $4,961,631, being Lion's acquisition costs and costs incurred to date on 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), 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.

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.

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

The only work contemplated on the Spar property is an engineering assessment of the past work and a possible small 2D program.

Selected Annual Information

The following is a summary of certain selected consolidated financial information of the Company for the years ended December 31, 2009, 2008 and 2007:

	Year Ended December 31,		
	2009 ($) (audited)	**2008 ($) (audited)**	**2007 ($) (unaudited)** [(2)]
Total Revenues	-	-	93,572
Net (Loss) Income	(2,791,409)	(2,268,744)	60,231
Net (Loss) Earnings Per Share (basic and diluted) [(1)]	(0.03)	(0.04)	0.00
Total Assets	12,149,184	4,478,023	204,241
Acquisition Cost Of Mineral Properties – For The Year	6,434,988	390,000	-
Deferred Resource Property Expenditures – For The Year	475,811	3,850,329	-
Long Term Debt	-	-	-
Dividends Declared	-	-	-

(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.

(1) The year ended December 31, 2007 was not audited as the Company was a private company at the time and an audit was not required.

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 December 31, 2009.

	Three months ended ($)			
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Total revenue	-	-	-	-
Net (loss) income	(1,231,211)	(1,357,685)	(492,860)	290,347
Net (loss) income per share (basic and diluted) [(1)]	(0.01)	(0.01)	(0.01)	0.00
Deferred exploration expenditures	203,408	5,833,475	873,916	-
Total assets	12,149,184	11,397,341	6,234,226	4,206,461

	Three months ended ($)			
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Total revenue	-	-	-	-
Net loss	(593,811)	(604,465)	(753,330)	(317,138)
Net loss per share (basic and diluted) [(1)]	(0.01)	(0.01)	(1.59)	(158,569)
Deferred exploration expenditures	1,815,320	(50,000)	2,078,331	50,000
Total assets	4,478,023	2,390,078	2,345,785	97,103

(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 quarters ended December 31, 2009, September 30, 2009 and September 30, 2008, the Company recorded stock-based compensation expense of $156,954, $1,043,302 and $476,000 respectively that was not recorded in any other quarter.

The increase in total assets during the quarters ended December 31, 2009, June 30, 2009, December 31, 2008 and June 30, 2008 was 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

The Company recorded a net loss of $2,791,409 ($0.03 per share) for the year ended December 31, 2009 as compared to a net loss of $2,268,744 ($0.04 per share) for the year ended December 31, 2008. The 2008 loss per share figure is higher than the 2009 loss per share figure as the Company had 51,129,119 shares issued and outstanding on a weighted-average basis during the 2008 period compared with 102,290,014 during the 2009 period.

The business activity in fiscal 2009 was somewhat different than in fiscal 2008. During fiscal 2008, 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 fiscal 2009, 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 year, considerable time and effort was dedicated to concluding the reverse take-over transaction with Angus and completing the acquisition of the Lion Potash Properties.

The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net loss to produce an adjusted net loss that forms a better basis for comparing the year-over-year operating results of the Company.

	2009	2008
Net loss for the year as reported	$ (2,791,409)	$ (2,268,744)
Depreciation	4,149	204
Stock-based compensation	1,200,256	476,000
Loss on sale of marketable securities	-	15,000
Write-down or write-off of mineral property	100,000	346,678
Write-off of other receivables	25,000	-
Interest and other income	(1,950)	-
Income tax recovery	-	(25,666)
Future income tax recovery	(82,000)	-
Adjusted net loss for the year (1)	$ (1,545,954)	$ (1,456,528)

(1) Adjusted net loss for the year is not a term recognized under GAAP.

Comments regarding certain of these items are as follows:

- Stock-based compensation expense of $1,200,256 (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. In 2008, 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.

- the Company wrote-off $100,000 during 2009 relating to acquisition costs for two prospects held by certain First Nations Bands that the Company no longer intends to explore. During 2008, the Company wrote-off $346,678 of mineral property costs of potash prospects that the Company did not intend to continue exploring.

- the Company wrote-off $25,000 of receivables due from a First Nations Band as the amount was determined to be non-collectible.

- During fiscal 2009, the $82,000 recovery of future income taxes arose as a result of the Company's accounting treatment of certain flow-through shares issued and the corresponding renunciations of qualifying exploration expenditures to the subscribers of these shares. The total tax effect of the renunciations to subscribers was $607,000 of which $525,000 has been recorded on the balance sheet as a future tax liability. The renunciation occurred in February 2009. During fiscal 2008, the $25,666 recovery of income tax is due to the recovery of taxes paid on 2007 net income.

The adjusted net loss for fiscal 2009 is comparable to fiscal 2008. There have been a number of different increases and decreases to various expenses. Of note are the following items:

- Accounting and audit fees of $208,154 (2008 - $70,661) were incurred during the current year, 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 fiscal 2010 and thereafter unless further corporate transactions are undertaken.

- Consulting fees of $512,737 (2008 - $580,151) in the current year include approximately $173,000 related to meetings and consultations with First Nations Bands with the residual charges related to corporate activities. The 2008 charges include approximately $467,000 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 $81,911 (2008 - $3,608) during the year 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.

- Investor relations and miscellaneous expenses of $147,839 (2008 - $86,868) during the year are mainly due to fees paid to an investor relations consulting firm as well as miscellaneous expenses such as administration fees, marketing fees, website fees and insurance. It is likely that these fees will be consistent in fiscal 2010.

- Legal fees of $226,320 (2008 - $76,669) increased on a year-over-year 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 December 31, 2009. Ongoing legal fees are expected to decrease, dependent on the corporate activities of the Company over the coming months.

- Management fees of $93,602 in the current year decreased from $446,628 in fiscal 2008. 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.

Fourth Quarter

The Company recorded a net loss of $1,231,211 ($0.01 loss per share) for the quarter ended December 31, 2009 as compared to a net loss of $593,811 ($0.01 per share) for the quarter ended December 31, 2008.

The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported net loss to produce an adjusted net loss that forms a better basis for comparing the period-over-period operating results of the Company.

	2009	2008
Net loss for the fourth quarter	$ (1,231,211)	$ (593,811)
Depreciation	2,267	204
Stock-based compensation	156,954	-
Loss on sale of marketable securities	-	15,000
Write-down or write-off of mineral property	100,000	346,678
Write-off of other receivables	25,000	-
Interest and other income	(101)	-
Future income tax expense (recovery)	525,000	(25,666)
Adjusted net loss for the period [(1)]	$ (422,091)	$ (257,595)

(1) Adjusted net loss for the period is not a term recognized under GAAP.

The Results of Operations section discusses all of the items above, other than the future income tax recovery. The $525,000 of future income tax expense is the result of a reclassification of the amount from the income statement as a recovery to the balance sheet as a future tax liability.

The difference increases and decreases to various expenses is similar to the year over year variations as described above.

Capital Expenditures

During the year ended December 31, 2009, the Company incurred cash expenditures of approximately $643,000 on exploration of the Saskatchewan potash mineral prospects, $100,000 on cash acquisition costs for the First Nations Potash Prospects, and $1,000,000 on cash acquisition costs for the Lion Potash Properties. Also during the year, Lion 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 $4.9M was incurred on the MFN Prospect and $1.6M was incurred on the 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.

During the year ended December 31, 2008 the Company incurred approximately $4,095,000 relating to the acquisition and exploration of potash mineral prospects. The acquisition of the potash mining prospects was substantially completed during the 2008 fiscal year. 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.

Financing Activities

Subsequent to the year ended December 31, 2009, the Company issued an aggregate of 786,667 common shares pursuant to the exercise of an aggregate of 786,667 warrants for aggregate gross proceeds of $82,333.

During the year ended December 31, 2009, the following financings were completed:

i) In November 2009, the Company completed a non-brokered private placement of 4,761,910 units at $0.21 per unit for gross proceeds of $1,000,001. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional common share of Encanto at $0.35 per share up to November 30, 2011. Encanto incurred legal expenses related to the offering in the amount of $2,784.

ii) 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.

iii) On April 24, 2009 and May 12, 2009, the Company completed private placements of an aggregate of 12,073,192 units at a price of $0.125 per unit for 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.

iv) 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.

v) The Company issued 50,000 common shares pursuant to the exercise of 50,000 warrants for gross proceeds of $10,000.

During the year ended December 31, 2008, the following financings were completed:

i) On June 30, 2008, the Company completed a private placement of 9,249,998 shares at $0.01 per share for gross proceeds of $92,500.

ii) On June 30, 2008, the Company completed a private placement of 25,900,000 shares at $0.05 per share for gross proceeds of $1,295,000.

iii) On August 1, 2008, the Company completed a private placement of 14,570,000 shares at $0.10 per share for gross proceeds of $1,457,000.

iv) On November 14, 2008, the Company completed a brokered private placement of 7,931,300 flow-through shares at $0.30 per share and 190,000 non-flow-through units at $0.25 per unit for aggregate gross proceeds of $2,426,890. Each unit is comprised of one non-flow-through common share and one-half of one non-flow-through common share purchase warrant, and in addition contains one-tenth of one penalty right ("Penalty Right"). Each whole warrant entitles the holder thereof to purchase an additional non-flow-through common share at $0.50 per share until November 14, 2010.

    On March 16, 2009, Encanto issued an additional 19,000 common shares and 9,500 common share purchase warrants for no additional consideration in connection with the terms of the

Penalty Right. Each warrant is exercisable into one common share of Encanto at $0.50 per share until November 14, 2010.

The agents for the placement received a commission consisting of $145,613 cash and 487,278 broker options entitling the agents to purchase one unit of the Company's securities at $0.25 per unit, with each unit carrying identical terms and conditions as those issued in the private placement, including the issuance of one-tenth of one penalty right ("Agent's Penalty Right"). In addition, the Company incurred legal and other out-of-pocket expenses related to the offering in the amount of $155,793.

On March 16, 2009, pursuant to the terms of the Penalty Right, the number of securities issuable upon exercise of the broker options increased from 487,278 to 536,006 common shares and from 243,639 to 268,003 warrants for no additional consideration than would have been received from the exercise of the original 487,278 broker options at $0.25 per unit, such units bearing identical terms to the subscriber units from the private placement.

v) Concurrently, on November 14, 2008, the Company completed a non-brokered private placement of 167,000 flow-through shares at $0.30 per share and 560,000 non-flow-through units at $0.25 per share for aggregate gross proceeds of $190,100. Each unit is identical to those described pursuant to the brokered private placement of same date.

vi) On December 9, 2008, the Company completed a brokered private placement of 2,000,000 shares at $0.25 per share for gross proceeds of $500,000.

On June 30, 2008, the Company issued 8,450,000 shares at ascribed values ranging from $0.01 to $0.10 per share (aggregate value $212,000) as consideration for certain expenditures made on the Company's behalf and for services rendered by current and former officers, directors and consultants of the Company.

Liquidity and Capital Resources

During the year ended December 31, 2009, the Company's operations consumed approximately $1,501,000 of cash (before working capital items) (2008 – $1,219,000). An additional approximate $1,743,000 of cash was utilized to acquire and explore potash mineral prospects during 2009 (2008 - $4,095,000).

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 potash mineral property exploration activities during the third and fourth quarters of 2009 was funded by Lion pursuant to the Lion Agreement, as described elsewhere in this report.

The Company'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 $1,109,594 at December 31, 2009.

Between December 31, 2008 and December 31, 2009, the Company's working capital increased by approximately $1,003,000 due to proceeds of share issuances, net of expenditures on operating activities and potash mineral prospects.

The Company's working capital as at December 31, 2009 of $1,123,018 may not be sufficient to fund operations for the next twelve months, based on the cash consumed in operations of $1,501,000 for the year ended December 31, 2009. As in the past, the Company will rely on equity financing as the primary source of funding for the foreseeable future.

Transactions with Related Parties

During the years ended December 31, 2009 and 2008, 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:

	2009	2008
Accounting fees	$ 76,115	$ -
Consulting fees	14,000	302,384
Management fees	82,852	454,428
Office rent	35,658	-
	$ 208,625	$ 756,812

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

During the year ended December 31, 2008, the Company borrowed $108,500 from certain directors and officers of the Company pursuant to promissory notes that bore interest at 10%. The borrowed funds were repaid in full, plus all accrued interests (aggregate amount of $11,746) during the year ended December 31, 2008.

At December 31, 2009 and December 31, 2008, due to related parties is comprised of amounts owing 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.

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.

Changes in Accounting Policies Including Initial Adoption

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 and Reporting Changes

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.

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 ended 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
PRELIMINARY PLANNING AND SCOPING	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. Based on Management's review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics. 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 during the fourth quarter of 2009.
DETAILED IMPACT ASSESSMENT	This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or 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 includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS and evaluation of the impact on outstanding operational elements such as debt covenants. The Company has completed its detailed review of IFRS relevant to the Company and identified the key differences but has not as yet quantified the impact on key line items and disclosures.
IMPLEMENTATION	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, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.

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 December 31, 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.

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
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:

166,642,936 common shares as at April 28, 2010

c) Outstanding warrants and options as at April 28, 2010 totalled 19,488,776 warrants and 12,250,000 options as follows:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	400,000	$0.20	June 1, 2010
Share purchase warrants	6,800,000	$0.10	August 11, 2010
Share purchase warrants	200,000	$1.00	August 13, 2010
Share purchase warrants	536,006	$0.25	November 14, 2010
Share purchase warrants	652,503	$0.50	November 14, 2010
Share purchase warrants	6,266,189	$0.20	April 24, 2011
Share purchase warrants	1,453,124	$0.20	May 12, 2011
Share purchase warrants	200,000	$0.20	October 13, 2011
Share purchase warrants	200,000	$0.23	October 28, 2011
Share purchase warrants	400,000	$0.24	November 9, 2011
Share purchase warrants	2,380,954	$0.35	November 30, 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 annual audited consolidated financial statements for the year ended December 31, 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.

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 Company’s primary focus for the foreseeable future is to advance the Muskowekwan project into a resource suitable for a Prefeasibility study. This will require completion of 4 to 6 more drill holes and a resource calculation conducted by a suitable Engineering firm.