

ENCANTO POTASH CORP.
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010



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Independent Auditor's Report

To the shareholders of
Encanto Potash Corp.
(An Exploration Stage Company)

We have audited the accompanying consolidated financial statements of *Encanto Potash Corp.*, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of *Encanto Potash Corp.* as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, Canada
April 28, 2011

ENCANTO POTASH CORP.

(An Exploration Stage Company)

Consolidated Balance Sheets

As at December 31, 2010 and 2009

	2010	2009
	\$	\$
Assets		
Current		
Cash	9,260,208	1,109,594
HST / GST recoverable	210,777	98,282
Prepaid expense	39,075	38,679
	9,510,060	1,246,555
Deposits - Note 5	177,236	177,236
Equipment - net of accumulated depreciation of \$9,222 (2009 - \$4,353)	16,868	20,943
Investment - Note 6	2,120,000	-
Mineral property interests - Note 7 and Schedule 1	18,629,977	10,704,450
	30,454,141	12,149,184
Liabilities		
Current		
Accounts payable and accrued liabilities – Note 10	2,330,038	123,537
Future income tax liability - Note 11	256,000	525,000
	2,586,038	648,537
Shareholders' Equity		
Share capital - Note 8	33,855,121	14,483,437
Contributed surplus	2,742,542	2,070,788
Deficit	(8,729,560)	(5,053,578)
	27,868,103	11,500,647
	30,454,141	12,149,184

Commitments - Notes 7, 8, 10 and 15
Subsequent events – Note 8

APPROVED BY THE DIRECTORS

"James Walchuck" Director
James Walchuck

"Gordon Keep" Director
Gordon Keep

The accompanying notes are an integral part of these consolidated financial statements.

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Consolidated Statements of Operations and Comprehensive Loss Years ended December 31, 2010 and 2009

	2010	2009
	\$	\$
General and administrative expenses		
Accounting and audit fees - Note 10	171,393	208,154
Amortization	4,869	4,149
Consulting fees - Note 10	661,744	512,737
Donations	6,500	38,033
Filing and transfer agent fees	49,526	81,911
Interest	542	3,757
Investor relations and miscellaneous	341,750	147,839
Legal fees – Note 10	80,462	226,320
Management fees, salaries and benefits - Note 10	157,001	93,602
Office - Note 10	95,782	79,380
Part XII.6 and other tax	3,791	22,891
Stock-based compensation – Note 8(d)	843,360	1,200,256
Travel and accommodation	190,753	131,330
Loss for the year before other items	(2,607,473)	(2,750,359)
Other income (expenses) items:		
Interest income	19,319	1,950
Write-off of other receivables	-	(25,000)
Write-off of mineral property interests – Note 7 and Schedule 1	(1,567,828)	(100,000)
Loss for the year before income taxes	(4,155,982)	(2,873,409)
Future income tax recovery – Note 11	480,000	82,000
Net loss and comprehensive loss for the year	(3,675,982)	(2,791,409)
Loss per share		
- basic and diluted	\$(0.02)	\$(0.03)
Weight average number of shares outstanding		
- basic and diluted	189,481,271	102,290,014

The accompanying notes are an integral part of these consolidated financial statements.

ENCANTO POTASH CORP.

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Consolidated Statements of Cash flows

Years ended December 31, 2010 and 2009

	2010	2009
	\$	\$
Cash (used in) provided by:		
Operating activities		
Net loss for the year	(3,675,982)	(2,791,409)
Items not affecting cash		
Amortization	4,869	4,149
Stock-based compensation	843,360	1,200,256
Consulting fees applied against amount due from shareholder	-	43,500
Accounts receivable written off	-	25,000
Mineral properties written off	1,567,828	100,000
Future income tax recovery	(480,000)	(82,000)
	<u>(1,739,925)</u>	<u>(1,500,504)</u>
Changes in non-cash working capital items		
HST / GST recoverable	(112,495)	135,142
Prepaid expenses	(396)	(25,486)
Accounts payable and accrued liabilities	29,099	(215,979)
	<u>(1,823,717)</u>	<u>(1,606,827)</u>
Investing activities		
Mineral property interests	(4,108,809)	(1,625,811)
Proceeds received on sale of mineral interests	200,000	-
Purchase of equipment	(794)	(652)
Deposits	-	(116,774)
	<u>(3,909,603)</u>	<u>(1,743,237)</u>
Financing activities		
Proceeds on securities issued, net of costs	13,883,934	3,124,710
Due to / from related party	-	(27,567)
Due from shareholder	-	41,070
Cash acquired on completion of Encanto RTO – Note 4	-	1,137,449
Loan advance from Angus – Note 9	-	90,000
Loan repayment to Angus – Note 9	-	(90,000)
	<u>13,883,934</u>	<u>4,275,662</u>
Increase in cash	8,150,614	925,598
Cash, beginning of year	1,109,594	183,996
Cash, end of year	9,260,208	1,109,594

Supplemental cash flow information – Note 14

The accompanying notes are an integral part of these consolidated financial statements.

ENCANTO POTASH CORP.

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Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2010 and 2009

	Common shares	Share Capital	Contributed surplus	Deficit	Total
		\$	\$	\$	\$
Balance, December 31, 2008	69,818,303	5,797,886	590,200	(2,262,169)	4,125,917
Shares Issued in consideration for:					
Cash, pursuant to:					
Flow-through share private placement	5,620,658	843,099	-	-	843,099
Private placement offerings	16,835,102	2,467,062	42,088	-	2,509,150
Warrants exercised	50,000	12,748	(2,748)	-	10,000
Other than cash:					
Mineral property interests – Note 7	600,000	132,000	-	-	132,000
Warrants issued pursuant to mineral property interest acquisitions – Note 7	-	-	116,357	-	116,357
Lion Potash Properties - Note 7	19,846,525	4,961,631	-	-	4,961,631
Penalty rights exercised	19,000	-	-	-	-
Recapitalization:					
Acquisition of Angus	(87,531,153)	-	-	-	-
Exchange of shares	87,531,153	-	-	-	-
Shares of Angus at the RTO date – Note 4	26,566,681	1,113,185	-	-	1,113,185
Finder's fee – Note 7	500,000	125,000	-	-	125,000
Stock-based compensation and donations	-	-	1,200,256	-	1,200,256
Share issue costs paid in consideration for:					
Cash – Note 8	-	(237,539)	-	-	(237,539)
Agent warrants – Note 8	-	(124,635)	124,635	-	-
Future income tax on flow-through shares	-	(607,000)	-	-	(607,000)
Net loss for the year	-	-	-	(2,791,409)	(2,791,409)
Balance, December 31, 2009	139,856,269	14,483,437	2,070,788	(5,053,578)	11,500,647
Shares Issued in consideration for:					
Cash, pursuant to:					
Private placements	30,816,666	7,988,708	108,292	-	8,097,000
Flow-through private placements	34,333,333	5,500,000	-	-	5,500,000
Warrants exercised	10,492,875	1,907,859	(532,141)	-	1,375,718
Options exercised	525,000	145,486	(56,736)	-	88,750
Mineral property interests - Note 7	200,000	44,000	-	-	44,000
Warrants issued pursuant to property interest acquisitions – Note 7	-	-	23,144	-	23,144
Lion Potash Properties - Note 7	26,000,000	5,460,000	-	-	5,460,000
Options granted stock-based compensation	-	-	843,360	-	843,360
Share issue costs paid in consideration for:					
Cash - Note 8	-	(1,177,534)	-	-	(1,177,534)
Agents' warrants – Note 8	-	(285,835)	285,835	-	-
Future income tax on flow-through shares	-	(211,000)	-	-	(211,000)
Net loss for the year	-	-	-	(3,675,982)	(3,675,982)
Balance, December 31, 2010	242,224,143	33,855,121	2,742,542	(8,729,560)	27,868,103

The accompanying notes are an integral part of these consolidated financial statements.

ENCANTO POTASH CORP.

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Notes to the Consolidated Financial Statements
Year ended December 31, 2010 and 2009

1. Nature of operations

Encanto Potash Corp. ("the Company" or "Encanto") (formerly Angus Ventures Corp. ("Angus")) was incorporated under the laws of British Columbia, Canada, in 1986. The Company's shares are listed for trading on the TSX Venture Exchange (the "TSXV") under the symbol "EPO".

On July 13, 2009, the Company acquired all of the issued and outstanding common shares of a private Alberta company ("Encanto Alberta") in exchange for 87,531,153 common shares of the Company. As a result of this transaction, the shareholders of Encanto Alberta acquired more than 50% of the Company's issued and outstanding common shares at the time and the transaction was accounted for as a reverse takeover ("RTO") (Note 4).

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

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a given period necessarily involves the use of estimates which have been made using careful judgment. Actual results may vary from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Encanto Holdings Ltd. ("EHL"), Encanto Resources Ltd. ("ERL") and Encanto Energy Corp ("EEC"). All intercompany transactions and balances have been eliminated.

b) Equipment and amortization

The Company records its acquisition of equipment at cost. Once the assets are put into use, their cost is amortized over the estimated useful economic life on the declining balance method at a rate of 30% per year for equipment.

c) Mineral properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available, if any. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-offs, write-downs and recoveries, and are not intended to represent present or future values.

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2. Significant accounting policies (continued)

d) Impairment of long-lived assets

Canadian GAAP requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

e) Asset retirement obligations ("ARO")

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included as an operating item in the statements of operations.

As at December 31, 2010 and 2009, the Company had no asset retirement obligations.

f) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period.

Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

g) Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss for the year available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended December 31, 2010 and 2009, potentially dilutive common shares (relating to share purchase options and warrants) totalling 52,777,391 (2009: 32,525,443) were not included in the computation of loss per share because their effect was anti-dilutive.

h) Comprehensive income

Comprehensive income includes both net loss and other comprehensive income ("OCI"). OCI is the change in shareholders' equity from non-owner sources which is not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the years ended December 31, 2010 and 2009, and neither opening nor closing balances for AOCI.

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Notes to the Consolidated Financial Statements

Year ended December 31, 2010 and 2009

i) Financial instruments recognition, measurement, disclosure and presentation

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash as held-for-trading; investments as available-for-sale, and accounts payable and accrued liabilities as other financial liabilities.

j) Stock-based compensation

The Company has a stock-based compensation plan (Note 8), whereby stock options are granted in accordance with the policies of regulatory authorities. The Company records a compensation cost attributable to all share purchase options granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Black-Scholes model requires the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

k) Broker warrants and warrants

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at the residual value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed the shares issued in the units.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

l) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share offerings are renounced to investors in accordance with income tax legislation. The tax effect related to renounced expenditures is recorded as a reduction of share capital and an increase in future income tax liabilities. If previously unrecorded future income tax assets exist to offset some or all of the future income tax liability, the future income tax liability is reduced by such amount which is credited to income tax expense.

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Notes to the Consolidated Financial Statements
Year ended December 31, 2010 and 2009

3. Newly 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.

4. Reverse takeover with Encanto Alberta

Effective July 13, 2009, Angus acquired 100% of the issued and outstanding shares of Encanto Alberta in exchange for common shares of Angus on a one-for-one basis (87,531,153 shares). As a result of this share issuance, the shareholders of Encanto Alberta obtained control of the Company by obtaining 77% of the common shares of the combined entity and the transaction has been accounted for as a RTO. Accordingly, for accounting purposes, Encanto Alberta was treated as the parent company (legal subsidiary) and Angus has been treated as the subsidiary (legal parent) in these consolidated financial statements. As Encanto Alberta was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value.

Accordingly, the operating results of the Company until July 12, 2009 are those of Encanto Alberta and thereafter are those of the Company. For purposes of this transaction, the consideration was deemed to be the book value of the net assets of Angus which on July 13, 2009 was \$1,113,185 and approximated their fair values. This amount was calculated as follows:

	\$
Cash	1,137,449
GST recoverable	12,003
Prepaid expenses	5,826
Equipment	22,884
Accounts payable and accrued liabilities	(64,977)
Net assets acquired	1,113,185
Consideration - 87,531,153 common shares	1,113,185

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In conjunction with the RTO, 16,544,489 warrants originally issued by Encanto Alberta were deemed to be issued by the Company on the same terms. Similarly, 10,250,000 options previously granted by Encanto Alberta to directors, officers, consultants and charities are deemed granted by the Company on the same terms. Each option is exercisable into one common share of the Company at an exercise price of \$0.17 per share until July 13, 2019.

5. Deposits

In conjunction with its on-going operational requirements the Company had made deposits with applicable regulatory authorities as follows:

	2010	2009
	\$	\$
Government of Saskatchewan reclamation deposit	60,462	60,462
Indian & Northern Affairs Canada exploration deposits	116,774	116,774
	<u>177,236</u>	<u>177,236</u>

6. Investment

During 2010, the Company completed a series of transactions with Sundance Resources Corp., a private Alberta oil and gas exploration company ("Sundance"), whereby Sundance licensed seismic data from five First Nation Bands ("the Bands") and the Company jointly. 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"). On April 25, 2011, Sundance shares commenced trading on the TSXV.

To date, in consideration for its interests in the licensed seismic data and the oil and gas rights the Company has received total consideration from Sundance consisting of 10,600,000 Sundance shares with fair value of \$2,120,000 and \$200,000 in cash under a two-part transaction as follows:

i) Licensing of seismic data:

By previous agreement with each of the Bands, the interest in seismic data generated by the Company in the conduct of its potash exploration work is subject to a 50/50 split under which the Company is entitled to 50% with the remaining 50% owned by the five Bands. Accordingly, on licensing the seismic data to Sundance, the Company received 5,000,000 Sundance shares having a fair value of \$0.20 each. The Company recorded the proceeds of this transaction as a credit to deferred exploration expenses (Schedule 1).

ii) Farm-in agreement on oil and gas rights:

Further to the Sundance interest in acquiring the seismic data, the Company assigned its entire interest in the O&G Farm-in Agreements to Sundance. The consideration paid by Sundance to the Company for the assignment of the Company's interest in two of the O&G Farm-in Agreements consisted of 2,800,000 Sundance shares and a cash payment of \$100,000 each. Accordingly, as of December 31, 2010, the Company had received total consideration of an additional 5,600,000 Sundance shares having a fair value of \$0.20 each and \$200,000 cash. The Company recorded the proceeds of this transaction as a credit to deferred exploration expenses (Schedule 1). The Company is currently in discussions with the remaining three Bands with respect to acquiring the oil and gas rights on their lands on terms similar to the initial two transactions.

The Company is indemnified by Sundance in respect of any liabilities accruing due to the failure of Sundance to fulfill its obligations to the Bands under the O&G Farm-in Agreements and related transactions.

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7. Mineral property interests - Schedule 1

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

Muskowekwan First Nation prospect

On July 31, 2009, through its wholly-owned subsidiary, ERL, the Company entered into Exploration Participation Agreements ("EPA's") with Muskowekwan First Nation ("MFN") and their corporate nominee, 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. During the year ended December 31, 2009, the Company paid \$100,000 in cash, issued a total of 400,000 common shares (fair value - \$92,000) and 400,000 share purchase warrants (fair value - \$49,683) to MRL for two EPA's. The fair value of the warrants was determined based on the Black-Scholes option pricing model and this amount was charged to mineral properties with a corresponding credit to contributed surplus. Assumptions used in the pricing model are as follows: risk-free rate - 1.68%, expected life - 2 years, expected volatility - 100%; and expected dividend rate - Nil.

With respect to each EPA, following the exploration phase the Company can elect to negotiate the terms of a definitive agreement. On October 22, 2010, the parties signed a joint venture agreement ("JVA") for the purpose of developing potash mineral deposits on the MFN Prospect. The parties have further agreed to jointly appoint a management committee to supervise the business affairs of the Joint Venture. Upon execution of the JVA, in consideration for granting the leases, the Company issued 200,000 common shares (fair value - \$44,000) and 200,000 share purchase warrants (fair value - \$23,144) exercisable at \$0.22 with an expiry date of October 22, 2012 to MRL. The fair value of the warrants was determined based on the Black-Scholes option pricing model and this amount was charged to mineral properties with a corresponding credit to contributed surplus. Assumptions used in the pricing model are as follows: risk-free rate - 1.15%, expected life - 2 years, expected volatility - 100%; and expected dividend rate - Nil.

On October 22, 2010, the Company also signed development fee, operating and royalty agreements with the MFN and MRL. Pursuant to the development fee agreement, MFN will be paid a fee totalling \$1,000,000 based on certain milestones being achieved over the next 18 months, one of which was \$200,000 paid upon the execution of the JVA described above. Under the operating agreement, the Company is the appointed operator with responsibility to carry out the exploration and development program planned for the property interests. Pursuant to the terms and conditions of the royalty agreement, MRL has a 3% gross overriding royalty on the MFN Prospect.

Other First Nation prospects

During the fiscal years from 2008 to 2009, the Company had entered into several Memorandums of Understanding ("MOU's") and EPA's with various First Nation Bands. While terms of the MOU's or EPA's are not identical, they contain material terms similar to the terms for the EPA's executed with MFN and MRL. The significant monetary commitments are as follows:

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

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

In addition, the EPA and MOU provide that in the event preliminary exploration work leads to a “second phase work program” on any respective Band lands which require leases from the Crown, or the completion of a definitive agreement, as the case may be, the Company is required to issue an additional 100,000 common shares of the Company along with two year warrants for an additional 100,000 common shares to such Band, at an exercise price as set out in the respective EPA or MOU.

During the year ended December 31, 2010 the Company wrote off deferred exploration and acquisition costs incurred on certain of its other First Nation prospects totalling \$1,567,828 (2009 - \$100,000) (Schedule 1).

As at December 31, 2010, through ERL, the Company is a party to an EPA with Ochapawace First Nation and an MOU with Chacachas First Nation. The Company has obtained two permits (one for each project) from the Crown to explore and develop potash minerals on the these First Nation Bands' reserve lands which are all located in Saskatchewan.

Spar Property and KP452 claim

By an agreement dated with effect from August 11, 2009, between the Company and Lion Energy Corp. (“Lion”) (“the Lion Agreement”), the Company acquired all of Lion's interests in its potash properties (the “Lion Potash Properties”) in Saskatchewan for 19,846,525 common shares at the trading price of \$0.25 per share for a fair value of \$4,961,631 (the “Lion Energy Agreement”).

Under the terms of the Lion Agreement, Lion incurred \$6,500,000 of expenditures on the Company's potash property interests by December 31, 2009 thereby earning a 51% interest (“the Lion Interest”) in all of the Company's properties (including the Lion Potash Properties) which interest the Company had the option to repurchase for 26,000,000 of its common shares. On February 3, 2010, the Company exercised its option to repurchase the Lion Interest by issuing to Lion 26,000,000 of its common shares at a fair value of \$5,460,000. The Company allocated this value as to \$2,809,716 to the MFN Prospect and \$2,650,284 to Other First Nations Prospects, respectively. During the year ended December 31, 2009, in consideration for finder's fees, the Company issued 500,000 common shares (fair value - \$125,000) to an independent third party on closing the Lion Agreement.

The Lion Potash Properties are subject to a 2% net smelter return royalty.

8. Share capital

a) Authorized:

Unlimited common shares without par value

100,000,000 Class A non-voting preference shares, par value \$10 each

100,000,000 Class B non-voting preference shares, par value \$50 each

b) Issued and outstanding:

As at December 31, 2010, there were 242,224,143 (2009 - 139,856,269) common shares issued and outstanding. No preference shares have been issued.

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c) Financing

During the years ended December 31, 2010 and 2009, the Company completed the following private placement financings:

- i) On December 17, 2010, the Company closed a brokered private placement consisting of 12,500,000 non flow-through units at a price of \$0.40 each and 1,000,000 common shares issued on a flow-through basis ("Flow-Through Shares") at a price of \$0.50 each to result in aggregate gross proceeds of \$5,500,000. Each non-flow-through unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.60 each at any time up until and including June 17, 2012. A residual value of \$62,500 has been attributed to these warrants. In consideration for completing the issue, the agents received a 6% cash commission (\$330,000) and 749,999 broker warrants. Each broker warrant entitles the holder to purchase one additional common share at a price of \$0.60 each up until and including June 17, 2012. The fair value of each broker warrant was estimated at approximately \$0.16 each based on the Black-Scholes option pricing model using the following assumptions: risk- free interest rate - 1.15%; expected life - 1.5 years; expected volatility - 100%; and expected dividends - nil.
- ii) On October 20, 2010, the Company closed a non-brokered private placement for 11,650,000 units consisting of one common share and one-half of one share purchase warrant at a price of \$0.18 each for aggregate gross proceeds \$2,097,000. One whole share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.25 each up until and including October 20, 2012. A residual value of \$29,125 has been attributed to these warrants. A 5% cash finder's fee (\$104,850) was paid.
- iii) On July 6, 2010, the Company closed a brokered private placement consisting of 33,333,333 flow-through shares at a price of \$0.15 each and 6,666,666 non-flow-through units at a price of \$0.15 each for aggregate gross proceeds of \$6,000,000. Each non-flow-through unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.20 at any time until and including July 6, 2012. In consideration for having completed the offering, the agent was paid a 6% cash commission (\$360,000) and 2,400,000 broker warrants exercisable at a price of \$0.20 per common share at any time up until and including July 6, 2012. A residual value of \$16,667 has been attributed to these warrants. The fair value of each broker warrant was estimated at approximately \$0.07 each based on the Black-Scholes option pricing model using the following assumptions: risk- free interest rate - 1.43%; expected life - 2 years; expected volatility - 100%; and expected dividends - nil.

In addition to a cash commission of \$794,850, share issuance costs also included aggregate professional fees of \$382,684.
- iv) On November 30, 2009, Encanto 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 consisted 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 and including November 30, 2011. A residual value of \$11,905 has been attributed to these warrants. Encanto incurred legal expenses related to the offering in the amount of \$2,784.
- v) On April 24 and May 12, 2009, Encanto completed in two tranches a brokered private placement of 5,620,658 flow-through common shares at \$0.15 per share for gross proceeds of \$843,099 and 12,073,192 units at \$0.125 per unit for aggregate gross proceeds of \$1,509,149. Each unit consisted 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 of Encanto at \$0.20 per share at varying dates between April 24, 2011 and May 12, 2011. A residual value of \$30,183 has been attributed to these warrants. In consideration for having completed the offering, the agent was paid: a \$30,000 corporate financing fee; a cash commission of \$164,657 as well as

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1,769,384 broker warrants exercisable at a price of \$0.20 per common share on varying dates between April 24, 2011 and May 12, 2011. In addition, Encanto incurred legal and other out-of-pocket expenses related to the offering in the amount of \$40,098. The fair value of each broker warrant was estimated at approximately \$0.07 each based on the Black-Scholes option pricing model using the following assumptions: risk-free interest rate - 1.48%; expected life - 2 years; expected volatility - 131%; and expected dividends - nil.

d) Stock options

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

The balance of options outstanding and related information for each of the years ended December 31, 2010 and 2009 is as follows:

	2010			2009		
	Number of options	Weighted average exercise price (per share)	Weighted average remaining Life (years)	Number of options	Weighted average exercise price (per share)	Weighted average remaining Life (years)
Balance, beginning of year	12,250,000	\$ 0.18	9.57	-	\$ -	-
Granted	9,050,000	\$ 0.17		12,250,000	\$ 0.18	
Exercised	(525,000)	\$ 0.17		-	\$ -	
Forfeited	<u>(1,000,000)</u>	\$ 0.25		<u>-</u>	\$ -	
Balance, end of year	19,775,000	\$ 0.18	8.72	12,250,000	\$ 0.18	9.57
Unvested	<u>(4,500,000)</u>	\$ 0.17	9.00	<u>(4,125,000)</u>	\$ 0.18	9.57
Exercisable, end of year	15,275,000	\$ 0.18	8.63	8,125,000	\$ 0.19	9.58

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

Expiry date	Weighted average exercise price per share	Number of options		
		Total outstanding	Unvested	Vested
September 2, 2012	\$0.17	200,000	-	200,000
December 20, 2012	\$0.42	400,000	-	400,000
November 29, 2015	\$0.44	250,000	250,000	-
July 13, 2019	\$0.17	9,750,000	1,250,000	8,500,000
September 16, 2019	\$0.25	1,000,000	-	1,000,000
July 13, 2020	\$0.15	7,925,000	3,000,000	4,925,000
November 12, 2020	\$0.22	250,000	-	250,000
	\$0.18	19,775,000	4,500,000	15,275,000

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For the year ended December 31, 2010, the Company recorded stock-based compensation expense of \$843,360 (2009 - \$1,200,256). The fair value of these options was determined based on the Black-Scholes option pricing model using the following assumptions: risk-free interest rate - 1.15 – 2.15% (2009 – 1.98%); expected life – 2.0 to 4 years (2009 – 4.0 years); expected volatility - 100% (2009 – 100%); expected dividends – nil (2009 – nil); and provision for forfeiture of 10% (2009 – 10%).

In the period from December 31, 2010 until April 28, 2011, the Company issued 605,000 common shares in consideration for exercised options on receipt of aggregate cash proceeds of \$94,350.

e) Share purchase warrants

Changes in share purchase warrants during the years ended December 31, 2010 and 2009 were as follows:

	2010			2009		
	Number of Warrants	Weighted average exercise price per share	Average remaining life (years)	Number of Warrants	Weighted average exercise price per share	Weighted Average remaining life (years)
Balance, beginning of year	20,275,443	\$0.20	1.10	8,655,917	\$0.14	1.63
Issued	25,008,331	\$0.42	1.56	11,669,526	\$0.25	0.80
Exercised	(10,492,875)	\$0.13		(50,000)	\$0.20	
Expired unexercised	(1,788,509)	\$0.41		-	\$ -	
Balance, end of year	33,002,390	\$0.38	1.28	20,275,443	\$0.20	1.10

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

	Outstanding	Exercise Price	Remaining Life (years)
April 24, 2011	4,809,703	\$0.20	0.31
May 12, 2011	1,017,687	\$0.20	0.36
October 13, 2011	200,000	\$0.20	0.78
October 28, 2011	200,000	\$0.23	0.82
November 9, 2011	400,000	\$0.24	0.86
November 30, 2011	2,166,669	\$0.35	0.92
June 17, 2012	13,249,999	\$0.60	1.46
July 6, 2012	4,933,333	\$0.20	1.52
October 20, 2012	5,824,999	\$0.25	1.81
October 22, 2012	200,000	\$0.22	1.81
	33,002,390	\$0.38	1.28

In the period from December 31, 2010 until April 28, 2011, the Company issued 8,722,138 common shares in consideration for exercised warrants on receipt of aggregate cash proceeds of 1,828,475.

f) Flow-through shares:

The Company is committed to incur on or before December 31, 2011 qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of \$5,500,000 with respect to the flow-through share financings completed during the year ended December 31, 2010 (Note 8(c)). As of December 31, 2010, the Company estimates that it will need to incur at least \$735,000 with respect to the flow-through renunciations.

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During the year ended December 31, 2009, private placements included the issuance of 5,620,658 flow-through shares at \$0.15 per share for gross proceeds of \$843,099 which the Company was committed to spend in Qualifying CEE. The Company fulfilled this commitment during the year ended December 31, 2010.

None of the Qualifying CEE will be available to the Company for future deduction from taxable income. During the year ended December 31 2010, the Company recognized a future income tax liability amounting to \$211,000 (2009 - \$607,000) with a corresponding reduction in the share proceeds recorded as share capital in connection with prior flow-through share issuances.

In accordance with its policy for accounting for flow-through share issuances, the Company recorded to its statement of operations a future income tax recovery of \$480,000 (2009: \$82,000) due to the recognition of a previously unrecorded future income tax asset that has been recognized to partially offset the future income tax liability arising from the renunciation of the flow-through expenditures.

g) Escrow Shares:

On completion of the RTO (Note 4), pursuant to regulatory requirements, certain shareholders were required to deposit 51,900,003 of their common shares in the Company into escrow. As at December 31, 2010, 31,140,002 (2009 - 46,710,003) common shares remained in escrow. These shares will be released as to 7,785,000 shares on January 14, 2011 (released) and every six months thereafter until July 14, 2012.

Of the 10,492,875 common shares issued on the exercise of warrants during the year ended December 31, 2010, an additional 1,012,000 shares were subject to escrow provisions under which they will be released in four equal tranches of 253,000 shares every six months commencing January 14, 2011 (released) until July 14, 2012.

9. Angus loan to Encanto Alberta

Effective January 26, 2009, Angus advanced \$90,000 to Encanto Alberta pursuant to the terms of a 3% short-term loan agreement (the "Angus Loan") secured against Encanto Alberta GST recoverable. Prior to the completion of the Encanto RTO (Note 4) in 2009, the Angus Loan plus applicable interest was repaid in full.

10. Related party transactions

During the years ended December 31, 2010 and 2009, the Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and/or companies they owned or in which they were significant shareholders:

	2010	2009
	\$	\$
Accounting fees	89,736	91,247
Consulting	10,500	14,000
Deferred exploration costs	9,000	-
Legal fees	22,910	-
Share issue costs	37,062	-
Management fees	156,000	82,852
Office	43,814	35,658
	<u>369,023</u>	<u>223,757</u>

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

Pursuant to the terms of renewable one-year service agreements that are subject to a monthly payments totalling \$21,500 to two of its officers, as at December 31, 2010, the Company was committed to pay a minimum total of \$258,000 in management fees.

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Included in accounts payable and accrued liabilities as at December 31, 2010, is \$28,554 (2009 - \$12,472) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing are unsecured, non-interest bearing and due on demand.

11. Income taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2010	2009
Statutory tax rate	28.5%	30.0%
	\$	\$
Loss for the year before taxes	(4,155,982)	(2,873,409)
Expected income tax recovery at statutory rate	(1,184,000)	(862,000)
Add (deduct):reconciling items		
Share issue costs	(294,000)	(59,000)
Change in tax rate	108,000	(42,000)
Stock based compensation	240,000	361,000
Other	72,000	37,000
Change in valuation allowance	578,000	483,000
Income tax recovery as booked	(480,000)	(82,000)

The significant components of the Company's net future income tax assets and liabilities are as follows:

	2010	2009
	\$	\$
Future income tax assets (liabilities)		
Mineral properties	(256,000)	(525,000)
Equipment	7,000	3,000
Share issue costs	319,000	104,000
Capital loss carry forward	14,000	21,000
Non-capital losses carried forward	1,103,000	740,000
Other	9,000	6,000
	1,196,000	349,000
Valuation allowance for future income tax assets	(1,452,000)	(874,000)
Future income tax liability	(256,000)	(525,000)

The Company recorded a valuation allowance of \$1,452,000 (2009 - \$874,000) against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

Losses that reduce future income for tax purposes expire as follows:

	\$
2026	155,000
2027	1,172,000
2028	722,000
2029	854,000
2030	1,511,000
	4,414,000

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In addition to the tax losses listed above there are certain resource related and other expenditures of approximately \$17,601,000 (2009 - \$8,605,000) which can be used to offset future Canadian income indefinitely.

12. Financial instruments

Fair value of financial instruments

The Company's financial instruments consist of cash, investments, and accounts payable and accrued liabilities.

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.

Financial instruments classified as level 1 – quoted prices in active markets include cash. Financial instruments classified as level 2 – valuation is based on observable quoted prices include investments.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. During the year ended December 31, 2010, there were no significant transfers between level 1 and 2.

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

Foreign exchange risk

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

Credit risk

Credit risk arises from cash held with banks and financial institutions. 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. As at December 31, 2010, with other variables unchanged, a 1% change in the interest rate would affect annual earnings by \$93,000. There would be no effect on other comprehensive income.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. As at December 31, 2010, the Company had working capital of \$7,180,022 which is sufficient to cover funding requirements for operations as currently planned for at least the next twelve months.

Commodity price risk

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

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13. Management of capital

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

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

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, issue new debt, or acquire or dispose of assets, and control of the capital expenditures program. The Company is not subject to externally imposed capital requirements.

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

Management reviews its capital management approach on an ongoing basis. During the year ended December 31, 2010, there has been no change in the Company's management of capital policies.

14. Supplemental cash flow information

	2010	2009
	\$	\$
Non-cash investing and financing transactions		
Shares issued for mineral property interest acquisitions	5,527,144	5,177,006
Investment acquired in consideration for mineral property interests	2,120,000	-
Estimated market value of warrants issued in consideration for share issuance cost	285,835	124,635
Shares issued in consideration for finder's fee	-	125,000
Value of assets acquired on completion of RTO in consideration for shares	-	1,113,185
Mineral interest property expenditures included in accounts payable	2,177,402	-

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

- a) the Company issued 26,000,000 common shares at a fair value of \$5,460,000 in consideration for the acquisition of mineral property interests (Note 7);
- b) the Company issued 200,000 common share purchase warrants at a fair value of \$23,144 in consideration for the acquisition of mineral property interests (Note 7);
- c) the Company incurred \$2,177,402 in mineral property expenditures that were included in accounts payable;
- d) the Company acquired 10,600,000 Sundance shares with a fair value of \$0.20 each on the farm-out of certain oil and gas interests and the licensing of seismic data to Sundance (Note 6); and
- e) the Company issued 3,149,999 agent warrants at the estimated fair value of \$285,835 in connection with private placement financings (Note 8).

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During the year ended December 31, 2009, the following transactions were excluded from the consolidated statements of cash flows:

- a) the Company acquired all of the issued and outstanding common shares of Encanto Alberta in exchange for 87,531,153 common shares of the Company (Note 4);
- b) the Company issued 1,769,384 broker warrants at the fair value of \$124,635 in connection with a private placement financing (Note 8);
- c) the Company issued 19,846,525 common shares at the fair value of \$4,961,631 pursuant to the acquisition of the Lion Potash Properties and issued 500,000 common shares at the fair value of \$125,000 as a finder's fee (Note 7);
- d) the Company issued 600,000 common shares at the fair value of \$132,000 and issued 1,400,000 warrants at the fair value of \$83,375 pursuant to mineral property acquisition costs (Note 7); and
- e) the Company incurred \$nil of mineral property expenditures that were included in accounts payable.

15. Commitments

In addition to commitments with related parties (Note 10), as at December 31, 2010, the Company was committed to aggregate payments \$125,000 in 2011 under various agreements for corporate advisory and consulting services that all expire in 2011 and monthly lease payments on office premises in the amount of \$2,332 per month until the lease expires in January 30, 2012.

16. Comparative information,

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

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Schedule 1, part 1 of 2

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Consolidated Schedule of Mineral Property Interests

Year ended December 31, 2010

	MFN Prospect	Other First Nation Prospects	Spar and KP 452 Claim	Total
	\$	\$	\$	\$
Balance, December 31, 2009	815,958	3,801,861	6,086,631	10,704,450
Acquisition costs				
Cash	25,000	25,000	-	50,000
Shares and warrants	2,876,860	2,650,284	-	5,527,144
	2,901,860	2,675,284	-	5,577,144
Deferred exploration expenditures				
Assaying	115,006	(6,052)	-	108,954
2-D seismic	-	21,330	-	21,330
3-D seismic	929,072	2,500	-	931,572
Access support services	168,077	1,193	-	169,270
Consulting	219,300	24,622	-	243,922
Drilling	4,148,565	-	-	4,148,565
Lease surveys	33,906	-	-	33,906
Environmental studies and assessment	10,606	2,141	-	12,747
Equipment rentals and fuel	90,840	20,000	-	110,840
Permitting	38,263	50,234	330,596	419,093
Site reclamation	32,500	-	-	32,500
Other	1,266	2,246	-	3,512
	5,787,401	118,214	330,596	6,236,211
Total 2010 expenditures	8,689,261	2,793,498	330,596	11,813,355
Recovered in consideration for:				
Cash	(100,000)	(100,000)	-	(200,000)
Sundance shares	(760,000)	(1,360,000)	-	(2,120,000)
	(860,000)	(1,460,000)	-	(2,320,000)
Mineral property interests written-off	-	(1,567,828)	-	(1,567,828)
Balance, December 31, 2010	8,645,219	3,567,531	6,412,227	18,629,977

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Schedule 1, part 2 of 2

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Consolidated Schedule of Mineral Property Interests

Year ended December 31, 2009

	MFN Prospect	Other First Nations Prospects,	Spar and KP452 Claim,	Total
	\$	\$	\$	\$
Balance, December 31, 2008	330,326	3,563,325	-	3,893,651
Acquisition costs				
Cash	100,000	-	1,000,000	1,100,000
Shares and warrants	141,683	106,674	5,086,631	5,334,988
	241,683	106,674	6,086,631	6,434,988
Deferred exploration costs				
2-D Seismic	213,809	213,810	-	427,619
Archaeological	-	4,800	-	4,800
Consulting	30,140	13,252	-	43,392
	243,949	231,862	-	475,811
Total 2009 expenditures	485,632	338,336	6,086,631	6,910,799
Mineral property interests written -off	-	(100,000)	-	(100,000)
Balance, December 31, 2009	815,958	3,801,861	6,086,631	10,704,450
