

ENCANTO POTASH CORP.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2009

(unaudited)

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

<u>ASSETS</u>	<u>June 30,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Current		
Cash and cash equivalents	\$ 1,242,390	\$ 183,996
GST and other receivables	122,062	246,421
Income taxes recoverable	25,666	-
Due from shareholder	-	84,570
Prepaid expenses	<u>14,539</u>	<u>7,367</u>
	1,404,657	522,354
Deposits	60,462	60,462
Mineral properties – Note 4	4,767,567	3,893,651
Equipment (net of accumulated depreciation of \$445; December 31, 2008 - \$204)	<u>1,540</u>	<u>1,556</u>
	<u>\$ 6,234,226</u>	<u>\$ 4,478,023</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 740,059	\$ 312,067
Due to related parties	<u>270</u>	<u>40,039</u>
	<u>740,329</u>	<u>352,106</u>

SHAREHOLDERS' EQUITY

Share capital – Note 6	6,911,999	5,797,886
Contributed surplus – Note 6	1,046,580	590,200
Deficit	<u>(2,464,682)</u>	<u>(2,262,169)</u>
	<u>5,493,897</u>	<u>4,125,917</u>
	<u>\$ 6,234,226</u>	<u>\$ 4,478,023</u>

Nature and Continuance of Operations – Note 1
Commitments – Notes 4 and 6
Subsequent Events – Note 11

APPROVED BY THE DIRECTORS

<u>“James Walchuck”</u> James Walchuck	Director	<u>“Robert McMorran”</u> Robert G. McMorran	Director
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SEE ACCOMPANYING NOTES

ENCANTO POTASH CORP.
(An Exploration Stage Company)
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS
AND DEFICIT**
For the three and six months ended June 30, 2009 and 2008
(unaudited)

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2009	2008	2009	2008
General and administrative expenses				
Accounting and audit fees – Note 8	\$ 92,452	\$ -	\$ 118,480	\$ -
Consulting fees – Note 8	167,560	418,962	276,147	441,962
Depreciation	94	-	241	-
Donations	900	8,000	9,283	8,000
Filing and transfer agent fees	47,891	-	50,501	-
Interest	2,702	-	3,757	-
Legal fees	85,611	7,912	146,054	7,912
Management fees, salaries and benefits – Note 8	26,000	152,500	33,000	446,628
Miscellaneous	20,565	70,319	22,783	70,329
Office – Note 8	16,147	17,397	41,046	17,397
Part XII.6 tax	4,511	-	17,261	-
Travel and accommodation	<u>28,566</u>	<u>78,240</u>	<u>31,378</u>	<u>78,240</u>
Loss for the period before other items	(492,999)	(753,330)	(749,931)	(1,070,468)
Other income items				
Interest income	<u>139</u>	<u>-</u>	<u>418</u>	<u>-</u>
Net loss for the period before income taxes	(492,860)	(753,330)	(749,513)	(1,070,468)
Future income tax recovery – Note 6 (f)	<u>-</u>	<u>-</u>	<u>547,000</u>	<u>-</u>
Net loss and comprehensive loss for the period	(492,860)	(753,330)	(202,513)	(1,070,468)
(Deficit) retained earnings, beginning of the period	<u>(1,971,822)</u>	<u>(155,565)</u>	<u>(2,262,169)</u>	<u>161,573</u>
Deficit, end of the period	<u>\$ (2,464,682)</u>	<u>\$ (908,895)</u>	<u>\$ (2,464,682)</u>	<u>\$ (908,895)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (1.59)</u>	<u>\$ (0.00)</u>	<u>\$ (4.50)</u>
Weighted average number of shares outstanding	<u>82,385,591</u>	<u>475,278</u>	<u>76,271,753</u>	<u>237,640</u>

SEE ACCOMPANYING NOTES

ENCANTO POTASH CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six months ended June 30, 2009 and 2008
(unaudited)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2009	2008	2009	2008
Cash Used In Operating Activities				
Net income (loss) for the period	\$ (492,860)	\$ (753,330)	\$ (202,513)	\$ (1,070,468)
Items not affecting cash				
Amortization	94	-	241	-
Consulting fees settled by reduction of amount due to shareholder	-	-	43,500	-
Future income tax recovery	-	-	(547,000)	-
Fees settled by issuance of shares	-	97,000	-	97,000
	(492,766)	(656,330)	(705,772)	(973,468)
Changes in non-cash working capital items:				
GST and other receivables	22,964	(39,302)	124,359	(39,332)
Income taxes recoverable	-	-	(25,666)	-
Prepaid expenses	(9,634)	(40,000)	(7,172)	(40,000)
Accounts payable and accrued liabilities	(135,146)	(90,780)	(110,778)	59,221
	(614,582)	(826,412)	(725,029)	(993,579)
Cash Used In Investing Activities				
Deferred exploration expenditures	(219,402)	(1,622,748)	(335,145)	(1,672,748)
Purchase of equipment	(226)	-	(226)	-
	(219,628)	(1,622,748)	(335,371)	(1,672,748)
Cash Provided By Financing Activities				
Issuance of securities, net	2,117,493	1,362,500	2,117,493	1,387,500
Due to / from related party	(46,235)	1,162,708	(39,769)	1,212,708
Due from Shareholder	-	8,999	41,070	144,128
Deferred financing fee	15,000	-	-	-
Loan advance from Angus Ventures Corp. – Note 5	-	-	90,000	-
Loan repayment to Angus Ventures Corp. – Note 5	(70,000)	-	(90,000)	-
	2,016,258	2,534,207	2,118,794	2,744,336
Increase in cash during the period	1,182,048	85,047	1,058,394	78,009
Cash and cash equivalents, beginning of the period	60,342	38,075	183,996	45,113
Cash and cash equivalents, end of the period	\$ 1,242,390	\$ 123,122	\$ 1,242,390	\$ 123,122
Cash paid for interest	\$ 3,757	\$ -	\$ 3,757	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalents are comprised of :				
Cash	\$ 12,390	\$ 123,122	\$ 12,390	\$ 123,122
Guaranteed Investment Certificates	1,230,000	-	1,230,000	-
	\$ 1,242,390	\$ 123,122	\$ 1,242,390	\$ 123,122

Non-cash Transactions – Note 10

ENCANTO POTASH CORP.
(An Exploration Stage Company)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended June 30, 2009
(unaudited)

Note 1 Nature and Continuance of Operations

Encanto Potash Corp (the “Company”) is a private company incorporated under the Business Corporations Act (Alberta) on May 27, 2008.

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.

On July 10, 2008, the Company acquired 100% of the issued and outstanding shares of Encanto Resources Ltd. (“ERL”) (Note 3). The transaction has been accounted for as a reverse take-over (“RTO”). On July 13, 2009, the Company acquired 100% of the issued and outstanding shares of Angus Ventures Corp. (“Angus”) (Note 11) in order to obtain a public listing on the TSX Venture Exchange.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2009, the Company was still in the exploration stage and had not achieved profitable operations, had an accumulated deficit of \$2,464,682 since inception and expects to incur further losses in the development of its business. The Company’s ability to continue as a going concern is dependent upon the discovery of economically recoverable reserves, its ability to obtain the necessary financing to develop the properties and to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP, using the same accounting policies and methods as per the year ended December 31, 2008 with the following addition. They do not include all the disclosures required for annual financial statements under Canadian GAAP, and should be read in conjunction with the most recent annual consolidated financial statements of the Company.

The results of operations for the six months ended June 30, 2009 are not necessarily indicative of those to be expected for the entire year ending December 31, 2009.

Note 2 Significant Accounting Policies – (cont'd)

Recently adopted accounting pronouncement

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 and reporting changes

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

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date.

It provides the Canadian equivalent to International Financial Reporting Standard (“IFRS”) 3, “Business Combinations” (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

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

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

Note 2 Significant Accounting Policies – (cont'd)

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

ii) International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

Note 3 Reverse Takeover Transaction

Effective July 10, 2008, the Company acquired 100% of the issued and outstanding shares of ERL in exchange for common shares of the Company on a one-for-one basis (43,250,000 common shares). As a result of this share issuance, the shareholders of ERL acquired substantially all of the Company's issued and outstanding common shares and the transaction has been accounted for as a RTO. Accordingly, ERL was treated as the accounting parent (legal subsidiary) and the Company is treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As ERL was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying value. The operations of the Company are included from July 10, 2008.

For purposes of this transaction, the consideration was deemed to be the fair value of the net assets of the Company which on July 10, 2008 was (\$154,998). This amount was calculated as follows:

Cash	\$ 290,085
Receivables	1,282,686
Payables	<u>(1,727,769)</u>
Deficit	<u>\$ (154,998)</u>

The deficit was charged to retained earnings, no value was allocated to the common shares of the Company. ERL and the Company were considered to be related parties due to certain shareholders and directors having common influence over each company.

Note 4 Mineral Properties – Schedule 1

The Company has been actively engaged in the business of acquiring, exploring and developing potash mineral prospects. Through ERL, the Company entered into seven Memorandums of Understanding (“MOU’s”) and has obtained two permits to explore and develop potash minerals on certain First Nation Reserve Lands (“a Permit”) in Saskatchewan.

While the MOU’s with each Band are not identical, they each contain the following material terms:

- Payment of a non-refundable amount of \$50,000 to the Band (aggregate amount of \$350,000 has been paid).
- Issuance of 200,000 common shares of the Company to the Band (shares are either issued on execution of the MOU or are only delivered to the Band upon granting of a permit in respect of such lands, depending on the particular MOU). As at June 30, 2009, an aggregate of 800,000 common shares have been issued for an ascribed value of \$40,000.
- Issuance to the Band of a warrant to acquire an additional 200,000 shares of the Company with such exercise prices and expiry dates as set out in the respective MOU’s (no warrants were issued as at June 30, 2009, but the Company has a commitment to issue 600,000 warrants at that date (note 6(e)).
- Authorization by the Band (subject to granting of a Permit in respect of such lands) for ERL to conduct a seismic program and exploration drilling on or before a date specified in the MOU, typically November 30, 2009 (but subject to terms of any Permit).
- Grant to the Band of up to 50% ownership interest in all seismic data shot on the lands.
- Reimbursement of the Band by ERL of the actual costs, to a maximum of \$50,000, of either the assisting with the “second phase work program”, in the event that ERL elects to proceed, which requires the granting by the Crown of a Lease (as described below) or of the referendum process described below, depending on the particular MOU, other than with respect to the Day Star First Nation.
- In the event of the granting of a Lease, the parties are required to negotiate the terms of a definitive agreement providing for the parties’ respective economic rights in the development, as described below.

In addition, three of the MOU’s provide that in the event of a “second phase work program” being conducted on the Band’s lands (which requires a Lease to be issued by the Crown), issuance of an additional 100,000 common shares of the Company and the grant of an additional warrant to acquire an additional 100,000 common shares of the Company at such exercise price as set out in the respective MOU and exercisable within two years after issuance of the Lease by the Crown.

Note 4 Mineral Properties – Schedule 1 – (cont'd)

Finally, one MOU provides that upon the issuance of a Permit, the Company will issue the Band an additional 100,000 common shares.

The MOU's generally provide that the Band or its nominee will, pursuant to the definitive agreement, receive a non-convertible prorated 3% gross overriding royalty (free of all encumbrances) from all minerals produced under the Lease.

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

In June 2009, the Company entered into a formal Exploration Participation Agreement ("EPA") with one Band, superseding the MOU previously entered into. In July 2009, the Company entered into an additional EPA with a Band, superseding the MOU previously entered into, and entered into an EPA with a Band which had not previously entered into an MOU. The Company now has five MOU's and three EPA's with Bands.

While the EPA's for each Band are not identical, they each contain similar terms to the MOU's other than the following material differences:

- The issuance of 200,000 common shares of the Company to the Band is conditional upon granting of a permit in respect of such lands and not upon signing the EPA.
- The issuance of 200,000 warrants of the Company to the Band is conditional upon issuance of the 200,000 common shares. The warrants are for a period of two years from the date of issuance and will have an exercise price equal to the lowest price permissible by the TSX Venture Exchange at the date of issuance.

Note 5 Loan From Angus Ventures Corp.

Effective January 26, 2009, the Company entered into a short-term loan agreement ("the Loan") with Angus. Pursuant to the terms and conditions of the Loan, Angus advanced \$90,000 to the Company. The Loan bore interest at Canadian prime plus 3% and was secured by certain GST refunds due to the Company.

Prior to June 30, 2009, the Company repaid the Loan, plus accrued interest.

Note 6 Share Capital

a) Authorized:

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

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

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, December 31, 2008	69,818,303	\$ 5,797,886	\$ 590,200
For cash pursuant to private placement of flow-through shares	5,620,658	843,099	-
For cash pursuant to private placement of units	12,073,192	1,177,404	331,745
Less: Issue costs – cash		(234,755)	-
Issue costs – non-cash	-	(124,635)	124,635
Issued pursuant to penalty rights exercise	19,000	-	-
Deduct: Future income tax on flow-through shares	-	(547,000)	-
		<hr/>	
Balance, June 30, 2009	<u>87,531,153</u>	<u>\$ 6,911,999</u>	<u>\$ 1,046,580</u>

c) Financings:

In April and May 2009 the Company completed in two tranches a brokered private placement of 5,620,658 flow-through 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 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. A value of \$331,745 has been attributed to these warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity. The assumptions used in the option pricing model are as follows: risk-free interest rate – 1.48%; expected life – 2.0 years; expected volatility – 131%; and expected dividends – nil.

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. In addition, the Company incurred legal and other out-of-pocket expenses related to the offering in the amount of \$40,098. The fair value of the broker warrants (\$124,635) was estimated using the Black-Scholes option pricing model and was charged to share issue costs and credited to contributed surplus. The assumptions used in the option pricing model are identical to those used for valuing the warrants in the brokered private placements of the same date.

Note 6 Share Capital – (cont'd)

d) Penalty Rights:

Pursuant to the terms and conditions of a private placement offering completed in November 2008, subscribers for 190,000 units included in the offering were issued a penalty right with each unit purchased, such rights being exercisable if the Company's shares were not listed on a public stock exchange on or before March 13, 2009. As at that date the Company was not publicly traded and accordingly, on March 16, 2009, the Company issued an additional 19,000 common shares and 9,500 common share purchase warrants for no additional consideration. Each warrant is exercisable into one common share of the Company at \$0.50 per share until November 14, 2010.

Further, the agents for that financing received 487,278 broker options exercisable into units, expiring November 14, 2010, and that also included penalty rights with the same terms as the subscriber penalty rights. Accordingly, effective March 13, 2009, if all the 487,278 broker options are exercised the Company will issue 536,006 common shares and 268,004 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.

e) Warrants:

As at June 30, 2009, the Company is obligated to issue 600,000 warrants to certain Bands (Note 4). Not all warrants have determined exercise prices at June 30, 2009. One MOU states an exercise price of \$1 per common share. The warrants to be issued expire at various dates between June 1 and August 13, 2010.

Changes in share purchase warrants during the six months ended June 30, 2009 are as follows:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Life</u>
Balance, June 30, 2008	-		
Issued	<u>8,655,917</u>	<u>\$0.14</u>	
Balance, December 31, 2008	8,655,917	\$0.14	
Issued – Note 6 (c)	7,805,980	\$0.20	
Issued – Note 6 (d)	<u>82,592</u>	<u>\$0.35</u>	
Balance, June 30, 2009	<u>16,544,489</u>	<u>\$0.17</u>	1.47

Note 6 Share Capital – (cont'd)

e) Warrants – (cont'd):

A summary of the warrants outstanding follows, with each warrant entitling the holder thereof the right to purchase one common share for each warrant held:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
7,550,000	\$0.10	August 11, 2010
536,006	\$0.25	November 14, 2010
652,503	\$0.50	November 14, 2010
6,352,856	\$0.20	April 24, 2011
<u>1,453,124</u>	\$0.20	May 11, 2011
<u>16,544,489</u>		

f) Flow-through Shares:

During the six months ended June 30, 2009, private placements included the issue of 5,620,658 flow-through shares at \$0.15 per share for gross proceeds of \$843,099. The Company incurred eligible Canadian Exploration Expenditures in the amount of \$562,514 prior to June 30, 2009. The Company must incur additional eligible Canadian Exploration Expenditures of \$280,585 on or before December 31, 2010.

During the year ended December 31, 2008, private placements included the issue of 8,098,300 flow-through shares at \$0.30 per share for gross proceeds of \$2,429,490. The Company incurred aggregate eligible Canadian Exploration Expenditures in this amount prior to June 30, 2009. This amount will not be available to the Company for future deduction from taxable income.

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 \$547,000 due to the recognition of a previously unrecorded future income tax asset that has been recognized to offset the future income tax liability arising from the renunciation of the flow-through expenditures.

Note 7 Segmented Information

The Company operates in one reportable operating segment and one reportable geographic segment, being the exploration of potash mineral properties located in Canada.

Note 8 Related Party Transactions

During the three and six months ended June 30, 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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Accounting fees	\$ 32,186	\$ -	\$ 47,319	\$ -
Consulting fees	10,500	-	16,500	-
Management fees	26,000	152,500	33,000	446,628
Office rent	<u>3,876</u>	<u>-</u>	<u>3,876</u>	<u>-</u>
	<u>\$ 72,562</u>	<u>\$ 152,500</u>	<u>\$ 100,695</u>	<u>\$ 446,628</u>

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

Note 9 Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, other receivables, due 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 June 30, 2009 and December 31, 2008, all of the Company's cash and cash equivalents were 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. With respect to other receivables, the Company has historically collected substantially all of these balances and is not aware of circumstances that would indicate a change in credit risk associated with these balances.

Note 9 Financial Instruments – (cont'd)

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.

Note 10 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flow. During the six months ended June 30, 2009, the following transactions were excluded from the statements of cash flows:

- the Company issued 1,769,384 agent warrants at the fair value of \$124,635 in connection with a private placement financing; and
- the Company incurred \$538,770 of mineral property expenditures that were included in accounts payable as at June 30, 2009.

During the six months ended June 30, 2008, the following transactions were excluded from the statements of cash flows:

- the Company issued 800,000 common shares at the fair value of \$40,000 pursuant to resource property expenditures.
- the Company incurred \$415,583 of mineral property expenditures that were included in accounts payable as at June 30, 2008.

Note 11 Subsequent Events

Angus Ventures Amalgamation

On November 26, 2008, the Company entered into a Letter of Intent ("LOI") with Angus, and thereafter on June 11, 2009 entered into a definitive amalgamation agreement (the "Angus Agreement") pursuant to which Angus and the Company agreed to amalgamate the companies under the name Encanto Potash Corp. ("Amalco"). Pursuant to the Angus Agreement and effective July 13, 2009, 100% of the issued and outstanding shares of the Company were acquired by Angus in exchange for common shares of Angus on a one-for-one basis (87,531,153 shares).

Note 11 Subsequent Events – (cont'd)

Angus Ventures Amalgamation – (cont'd)

As a result of this share issuance, the shareholders of the Company obtained control of Angus by obtaining 77% of the common shares of the combined entity and the transaction will be accounted for as a RTO. Accordingly, the Company will be treated as the accounting parent (legal subsidiary) and Angus will be treated as the accounting subsidiary (legal parent). As the Company is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation will be included in the consolidated financial statements at their historical carrying value. The operations of Angus will be included from July 14, 2009.

In conjunction with the amalgamation, 16,544,489 warrants originally issued by the Company will be deemed to be issued by Amalco on the same terms. Similarly, 10,250,000 options previously granted by Angus to directors, officers and consultants will be deemed granted by Amalco on the same terms. Each option is exercisable into one common share of Amalco at an exercise price of \$0.17 per share until July 13, 2019. The options vest on varying dates between July 13, 2009 and January 13, 2011.

Asset Acquisition

Further to the amalgamation between the Company and Angus, and pursuant to an agreement dated June 15, 2009 among the Company, Angus and Raytec Corp. (“Raytec”), on August 11, 2009, Raytec will sell to Amalco all of its interests in its potash properties in Saskatchewan for 19,846,525 common shares of Amalco at \$0.25 per share for a deemed value of \$4,961,631, being Raytec’s acquisition costs and costs incurred to date on its potash properties.

Further, Raytec has agreed to incur \$6.5 million of expenditures on Amalco’s potash properties by December 31, 2009 to earn a 51% interest in the properties, which interest Amalco has the option to repurchase for 26,000,000 shares of Amalco.

A fee is payable by Amalco to Endeavour Financial Ltd. in respect of the transactions. In addition, a finder’s fee of 500,000 shares of Amalco will be payable in respect of these transactions to an independent third party.

Investor Relations Agreement

The Company entered into an investor relations agreement for a term of six months at \$11,500 per month.

Schedule 1

ENCANTO POTASH CORP.
 (An Exploration Stage Company)
 INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
For the six months ended June 30, 2009
 (unaudited)

	Potash Prospects, <u>Saskatchewan</u>
Balance, December 31, 2007	\$ -
Acquisition costs	
Cash	350,000
Shares	<u>40,000</u>
	<u>390,000</u>
Deferred exploration costs	
First Nations Consultations and Permitting	897,670
2-D Seismic	2,919,914
Technical Report	<u>32,745</u>
	<u>3,850,329</u>
Mineral properties written-off	<u>(346,678)</u>
Balance, December 31, 2008	\$ <u>3,893,651</u>
Deferred exploration costs	
2-D Seismic	<u>873,916</u>
Balance, June 30, 2009	\$ <u><u>4,767,567</u></u>