

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

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

Forward-Looking Statements

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

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

It is important to note that:

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

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

General

The consolidated financial statements of the Company include the accounts of Encanto Potash Corp. and its wholly-owned subsidiary, Encanto Resources Ltd. (“ERL”). The Company is currently an exploration and development stage company and does not have any operations which generate revenues or profits.

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 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 reverse take-over. Accordingly, ERL is 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 is 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.

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

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

On November 26, 2008, the Company entered into a Letter of Intent (“LOI”) with Angus Ventures Corp. (“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). 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 is treated as the accounting parent (legal subsidiary) and Angus is treated as the accounting subsidiary (legal parent). As the Company was 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.

Saskatchewan Potash Properties

First Nation Reserve Lands

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 at 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.

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 they previously entered into with the Company 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.

Spar and KP452

Further to the amalgamation between the Company and Angus, on June 15, 2009, the Company entered into an agreement with Angus and Raytec Corp. ("Raytec"), pursuant to which:

1. Raytec will sell to Amalco all of its interests in its Spar and KP452 potash properties in Saskatchewan for 19,846,525 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; and
2. Raytec will incur \$6.5 million of expenditures on Amalco's potash properties by December 29, 2009 to earn a 51% interest in the properties, which interest Amalco will have the option to repurchase for 26,000,000 shares of Amalco.

A fee will be payable by Amalco to Endeavour Financial Ltd. in respect of the proposed 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.

Raytec owns a 100% interest in Exploration Permit Applications KP441, KP455, KP466, KP467, and KP468 (referred to as the Spar Property), totalling 145,000 acres of contiguous ground covering the extensive Middle Devonian Prairie Evaporite Formation in south-central Saskatchewan. A Technical Report, authored by Dr. Michael Hardy, P.E. of Agapito Associates Inc. and Joseph E. Crawford L.P.G., formerly of Agapito Associates Inc. was issued on July 7th, 2008. The report concluded that KP441 Langham Potash Permit Application contains an Indicated Mineral Resource of 12.49 million metric tonnes of K₂O and an Inferred Mineral Resource of 12.24 million metric tonnes of K₂O. A 2D seismic programme has also been conducted on the property with the final results pending.

Raytec also holds a 100% interest in the KP452 claim block located in the southeastern portion of the evaporite formation, approximately 380 kilometres southeast of Raytec's KP441 group of claim blocks. An exploration permit was granted to Raytec by the Saskatchewan Ministry of Energy and Resources in July 2008. The permit granted Raytec the right to explore approximately 36,113 acres of prospective potash ground. The claim lies approximately 42 kilometres southwest of the Mosaic Company-Compass Mineral Group's K-1 and K-2 potash mines. It is also located 53 kilometres west of Potash Corp. of Saskatchewan's Rocanville potash mine.

Quarterly Results

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

	Three months ended			
	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
Total revenue	-	-	-	-
Net (loss) income	\$ (492,860)	\$ 290,347	\$ (707,629)	\$ (490,647)
Net (loss) income per share (basic and diluted)	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.01)
Deferred exploration expenditures (writedowns)	\$ 873,916	\$ -	\$ 1,815,320	\$ (50,000)
Total assets	\$ 6,234,226	\$ 4,206,461	\$ 4,478,023	\$ 2,390,078

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

The net income reported in the quarter ended March 31, 2009, resulted from the Company recording a credit to its statement of operations with respect to income tax benefits not previously recognized and which arose from the renunciation of flow-through expenditures in the quarter.

The increase in total assets during the quarters ended June 30, 2009, December 31, 2008 and June 30, 2008 were due to the completion of private placement financings during those quarters. The increase in deferred exploration expenditures during the quarters reflects exploration activity conducted by the Company on its mineral prospects, funded by the financings completed in the respective quarters.

Results of Operations

Six Months Ended June 30, 2009 As Compared To Six Months Ended June 30, 2008

During the six months ended June 30, 2009, the Company reported a net loss of \$202,513 (\$0.00 per share) as compared to net loss of \$1,070,468 (\$4.50 loss per share). Included in the 2009 figure is a recovery of future income taxes in the amount of \$547,000. This amount arises in connection with the Company's accounting for its tax benefit forgone from issuing flow-through

shares and renouncing the related qualifying Canadian Exploration Expenditures to the flow-through share subscribers. The 2008 loss per share figure is higher than the 2009 loss per share figure as the Company had only 237,640 shares issued and outstanding on a weighted-average basis during the 2008 period.

The business activity in the first six months of 2009 was somewhat different than in the same period in 2008. During the 2008 period the Company was in the initial stages of developing its current business plan which involved striking agreements with various First Nations Bands for exploration rights on their lands and initiating exploration activities. During the 2009 period, business activities involved working through the regulatory process to formalize certain of the prior agreements and refining exploration programs based on previous work. Only limited activity was directed towards acquiring exploration rights on additional First Nations Band lands. In addition, during the current period considerable time and effort was dedicated to concluding a reverse take-over transaction with Angus Ventures Corp. (“Angus”).

Accounting and audit fees of \$118,480 (2008 - \$nil) were incurred during the current period, and resulted in part from accounting and audit fees related to the 2008 audit, the first year of audit for the Company, and in part from accounting and auditor services rendered with respect to the financial information compiled and filed with regulators in connection with the reverse take-over transaction with Angus. The amount of fees for accounting and audit services is expected to decrease in the third quarter of 2009 and thereafter as most all of the corporate restructuring was completed by June 30, 2009.

Consulting fees of \$276,147 (2008 - \$441,962) in the current period include approximately \$97,000 related to meetings and consultations with First Nations Bands with the residual charges related to corporate activities. The 2008 charges include approximately \$254,000 related to consultations and meetings with First Nations Bands with the residual costs related to corporate matters. It is likely that the fees charged with respect to working with First Nations Bands will remain a significant component of the Company’s overhead charges while general corporate consulting fees are expected to decrease somewhat on a go-forward basis.

Filing and transfer agent fees of \$50,501 (2008 - \$nil) during the six months ended June 30, 2009 are due to listing fees on the TSX Venture Exchange related to the reverse take-over transaction with Angus. Ongoing fees are expected to be much less significant save and except for annual listing fees and other annual regulatory fees.

Legal fees of \$146,054 (2008 - \$7,912) increased on a period over period basis in part because of services rendered in connection with the reverse take-over transaction with Angus and in part with respect to revising the form and content of the agreements between the Company and the various First Nations Bands. Both of these projects were substantially completed by June 30, 2009 and as such ongoing legal fees are expected to decrease, dependent on the corporate activities of the Company over the coming months.

Management fees of \$33,000 in the current period decreased from \$446,628 in the comparable period. Included in the 2008 figure is an amount of approximately \$144,000 that is a payout to ERL’s prior management of ERL’s accumulated earnings to December 31, 2007. The residual management fees incurred during the first six months of 2008 were for services rendered in connection with assembling the land package (and related MOU’s) that the Company acquired in Saskatchewan. This process was substantially completed by the end of June 2008 and thereafter management fees have been nominal.

Three Months Ended June 30, 2009 As Compared To Three Months Ended June 30, 2008

During the three months ended June 30, 2009, the Company reported a net loss of \$492,860 (\$0.01 per share) as compared to net loss of \$753,330 (\$1.59 loss per share). As with the six month figures, the 2008 loss per share figure is higher than the 2009 loss per share as the Company had only 475,278 shares issued and outstanding on a weighted-average basis during the 2008 period.

The variance in expenses recorded on a quarter-over-quarter basis occurred for much the same reasons as the corresponding variances recorded for the six-month periods described above.

Capital Expenditures

During the six months ended June 30, 2009, the Company incurred cash expenditures of approximately \$335,000 on 2-D seismic exploration of the Saskatchewan potash mineral prospects.

During the six months ended June 30, 2008 the Company incurred approximately \$1,673,000 relating to the acquisition and exploration of potash mineral prospects. The acquisition of the potash mining prospects was substantially completed during this period. Prior to 2008 ERL incurred relatively nominal capital expenditures, with any such expenditures related to oil and gas interests.

The Company expects that its capital expenditures will increase in future reporting periods with the ongoing exploration and development of its potash mineral prospects.

Financing Activities

During the six months ended June 30, 2009, the following financings were completed:

- i) On April 24, 2009 and May 12, 2009, the Company completed private placements of 12,073,192 units at a price of \$0.125 per unit for cumulative gross proceeds of \$1,509,149. Each unit is comprised of one non-flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional non-flow-through common share at \$0.20 per share at dates varying from April 24, 2011 to May 12, 2011.

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

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

During the six months ended June 30, 2008, the following financings were completed:

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

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

Liquidity and Capital Resources

Six months Ended June 30, 2009 As Compared To Six Months Ended June 30, 2008

The Corporation's operations consumed approximately \$706,000 of cash (before working capital items) for the six months ended June 30, 2009 (2008 – \$973,000). An additional approximate \$335,000 of cash was utilized to explore potash mineral prospects during 2009 (2008 - \$1,673,000).

The cash requirement to fund operations and capital expenditures in 2009 and 2008 was fulfilled primarily from financings completed throughout the year, as described elsewhere in this report.

The Corporation's aggregate operating, investing and financing activities during 2009 resulted in a net increase in its cash balance from \$183,996 at December 31, 2008 to \$1,242,390 at June 30, 2009. During 2008, there was a nominal increase in cash over the six month period.

Between December 31, 2008 and June 30, 2009, the Company's working capital increased by approximately \$494,000 due to proceeds of share issuances, net of expenditures on operating activities and potash mineral prospects.

The Company will require additional capital in order to fund exploration of potash mineral prospects and for operating expenditures. The Company's working capital as at June 30, 2009 of \$664,328 may not be sufficient to fund operations for the next twelve months, based on the cash consumed in operations of \$706,000 for the six months ended June 30, 2009. As in the past, the Company will rely on equity financing as the primary source of funds. The \$6,500,000 of Raytec funds will be used by the Company to fund the exploration of potash prospects up to December 29, 2009.

Transactions with Related Parties

The Company incurred the following expenditures charged by directors and officers of the Company, or former directors and officers of the Company, and / or companies they owned or were significant shareholders of:

	<u>Three months ended 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 by the exchange amount which is the amount agreed upon by the transacting parties.

Dependence on Management

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

Critical Accounting Estimates

The Corporation's consolidated financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Corporation's accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2008.

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

Management reviews the carrying values of its mineral properties on at least an annual basis to determine whether an impairment of carrying value should be recognized. In addition, capitalized costs related to abandoned properties are written-off in the period of abandonment. During 2008 the Company wrote-off or wrote-down the costs attributable to certain of its mineral properties, recognizing a non-cash charge to its statement of operations in the amount of \$346,678. No write-down or write-off of mineral properties was recorded in the six months ended June 30, 2009. Capitalized costs in respect of the Corporation's mineral claims amounted to \$4,767,567 as at June 30, 2009 and \$3,893,651 as at December 31, 2008. These costs may not be recoverable and there is a risk that these costs may be written down in future quarters.

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

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

estimated discount rate. Changes to these estimates could result in the fair value of the warrants being less than or greater than the amount recorded.

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

Management computes the recovery of future income tax assets based on the amount of qualifying flow-through expenditures that have been renounced to investors during the year and after taking into account the estimated corporate income tax rate during such fiscal period and the availability of unrecorded income tax assets. During the first quarter of 2009 an amount of \$547,000 (2008 - \$nil) was recorded to the Company's accounts. No future income tax was recorded in the three months ended June 30, 2009 (2008 - \$nil).

Changes in Accounting Policies Including Initial Adoption

The Corporation's accounting policies are as detailed in Note 2 to the audited consolidated financial statements for the year ended December 31, 2008.

Recently Adopted Accounting Pronouncements

i) Goodwill and intangible assets

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

Future Accounting Changes

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

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

expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date.

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

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

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

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

ii) International Financial Reporting Standards ("IFRS")

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

Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash 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.

Interest Rate Risk

The Company has investments in guaranteed investment certificates that are highly liquid. As such, the Company has been exposed to nominal interest rate risk.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date.

Commodity Price Risk

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

Outstanding Share Data

a) Authorized:

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

b) Issued and outstanding:

134,444,359 common shares as at August 24, 2009

c) Outstanding warrants and options as at August 24, 2009 totalled 16,544,489 warrants and 10,250,000 options as follows:

Type of Security	Number	Exercise Price	Expiry Date
Share purchase warrants	7,550,000	\$0.10	August 11, 2010
Share purchase warrants	536,006	\$0.25	November 14, 2010
Share purchase warrants	652,503	\$0.50	November 14, 2010
Share purchase warrants	6,352,856	\$0.20	April 24, 2011
Share purchase warrants	1,453,124	\$0.20	May 12, 2011
Stock options	10,250,000	\$0.17	July 13, 2019

Disclosure Controls and Procedures

As the Company was not a reporting issuer as of June 30, 2009, it has not filed certificates in connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("[NI 52-109](#)").

Risks and Uncertainties

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

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian/United States exchange rate, all of which are beyond the Company's control. In addition, the recent events in the global financial markets have had a profound impact on the global economy. Virtually all industries, including mining for potash, are impacted by these market conditions, which have included: a sharp contraction in the credit markets resulting in a widening of credit risk spreads and higher costs of funding; a deterioration in the credit ratings of numerous large financial institutions; devaluations and high volatility in global equity, commodity, foreign exchange and metals markets and a corresponding lack of market liquidity; and a slowdown in economic activity that is affecting major global economies. These events could have a significant impact on the Company.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

Outlook

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