ENCANTO POTASH CORP.

Condensed Interim Consolidated Financial Statements
Three and six months ended June 30, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

ENCANTO POTASH CORP.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian dollars)

	Note	**June 30 2015**	December 31 2014
		$	$
Assets			
Current			
Cash		**185,947**	24,865
Taxes recoverable and accounts receivable		**49,429**	67,261
Prepaid expenses		**30,490**	26,232
		265,866	118,358
Non-current			
Deposits		**129,914**	135,664
Equipment		**19,757**	22,766
Investment		**-**	3,048
Mineral property interests	**6**	**33,359,679**	33,359,679
		33,775,216	33,639,515
Liabilities			
Current			
Accounts payable and accrued liabilities	**11**	**2,097,463**	2,603,928
Flow-through premium liability	**7**	**105,262**	105,262
Convertible debenture – liability component	**8**	**6,877,283**	-
		9,080,008	2,709,190
Non-current			
Convertible debenture – liability component	**8**	**-**	6,772,337
		9,080,008	9,481,527
Shareholders' Equity			
Share capital	**9**	**54,966,062**	52,875,099
Contributed surplus		**5,805,094**	5,609,288
Convertible debenture – equity component		**695,636**	695,636
Deficit		**(36,771,584)**	(35,022,035)
		24,695,208	24,157,988
		33,775,216	33,639,515

Nature of operations – Note 1

Going concern – Note 2

Commitments – Notes 6, 7 and 13

APPROVED BY THE DIRECTORS

"James Walchuck" Director *"Gordon Keep"* Director

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ENCANTO POTASH CORP.
Condensed Interim Consolidated Statements of Comprehensive Loss
Three and six months ended June 30
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended June 30 2015	Three months ended June 30 2014	Six months ended June 30 2015	Six months ended June 30 2014
		$	**$**	**$**	**$**
Corporate development consultants		**183,749**	172,500	**356,803**	366,379
Depreciation		**1,504**	2,052	**3,009**	4,105
First Nation consulting		**46,757**	159,990	**161,473**	333,912
First Nation development and designation		**-**	90,000	**-**	165,000
Investor communications		**34,920**	51,359	**84,106**	100,702
Legal and audit		**83,952**	158,043	**129,795**	310,286
Management compensation	**11**	**183,816**	201,400	**393,764**	428,306
Office		**49,879**	45,434	**89,883**	94,226
Regulatory compliance		**14,488**	36,344	**27,926**	75,963
Share-based payments	**9**	**181,591**	233,315	**195,806**	258,885
Travel and accommodation		**9,088**	40,409	**33,018**	91,659
Loss before other items		**(789,744)**	(1,190,846)	**(1,475,583)**	(2,229,423)
Finance expense	**10**	**(139,974)**	(276,980)	**(279,948)**	(598,035)
Gain on sale of investment		**-**	-	**5,982**	-
Loss before income taxes		**(929,718)**	(1,467,826)	**(1,749,549)**	(2,827,458)
Deferred income tax recovery		**-**	-	**-**	186,675
Total comprehensive loss		**(929,718)**	(1,467,826)	**(1,749,549)**	(2,640,783)
Loss per share					
- Basic and diluted		**(0.00)**	(0.00)	**(0.01)**	(0.01)
Weighted average number of shares outstanding					
- Basic and diluted		347,529,159	326,835,491	341,693,784	317,382,871

ENCANTO POTASH CORP.

Condensed Interim Consolidated Statements of Cash Flows
Six months ended June 30
(Unaudited - Expressed in Canadian dollars)

	2015	2014
	$	$
Cash flows (used in) provided by		
Operating activities		
Net loss	**(1,749,549)**	(2,640,783)
Items not affecting cash		
Depreciation	**3,009**	4,105
Deferred income tax recovery	**-**	(186,675)
Finance expense	**104,946**	383,581
Gain on sale of investment	**(5,982)**	-
Share-based payments	**195,806**	258,885
	(1,451,770)	(2,180,887)
Net change in non-cash working capital items		
Taxes recoverable	**17,832**	112,979
Prepaid expenses	**(4,258)**	24,841
Accounts payable and accrued liabilities	**(346,299)**	426,098
	(1,784,495)	(1,616,969)
Investing activities		
Deferred mineral property interest expenditures	**(160,166)**	(2,814,437)
Proceeds on sale of investment	**9,030**	-
Recovery of deposit	**5,750**	-
	(145,386)	(2,814,437)
Financing activities		
Proceeds on shares issued	**2,211,300**	3,612,635
Share issuance costs	**(120,337)**	-
Proceeds on mineral property interest put option	**-**	100,000
	2,090,963	3,712,635
Increase (Decrease) in cash	**161,082**	(718,771)
Cash, beginning of period	**24,865**	778,728
Cash, end of period	**185,947**	59,957

Supplemental cash flow information – Note 12

ENCANTO POTASH CORP.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited, Expressed in Canadian dollars)

	Common shares	Share capital	Contributed surplus	Convertible debenture	Deficit	Total
	number	$	$	$	$	$
Balance, December 31, 2013	**306,266,709**	**48,865,018**	**4,611,130**	**695,636**	**(24,911,014)**	**29,260,770**
Shares issued in consideration for:						
Cash, pursuant to:						
- Prospectus offering	20,856,700	3,545,639	-	-	-	3,545,639
- Private placements	3,150,000	535,500	-	-	-	535,500
Share issuance costs	-	(611,575)	37,809	-	-	(573,766)
Bonus warrants	-	-	24,913	-	-	24,913
Derivative put option	-	-	39,500	-	-	39,500
Share-based payments	-	-	258,885	-	-	258,885
Comprehensive loss	-	-	-	-	(2,640,783)	(2,640,783)
Balance, June 30, 2014	**330,273,409**	**52,334,582**	**4,972,237**	**695,636**	**(27,551,797)**	**30,450,658**
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placements	5,585,000	558,500	-	-	-	558,500
Share issuance costs	-	(17,983)	-	-	-	(17,983)
Derivative put option	-	-	485,500	-	-	485,500
Share-based payments	-	-	151,551	-	-	151,551
Comprehensive loss	-	-	-	-	(7,470,238)	(7,470,238)
Balance, December 31, 2014	**335,858,409**	**52,875,099**	**5,609,288**	**695,636**	**(35,022,035)**	**24,157,988**
Shares issued in consideration for:						
Cash, pursuant to:						
- Private placements	18,427,500	2,211,300	-	-	-	2,211,300
Share issuance costs	-	(120,337)	-	-	-	(120,337)
Share-based payments	-	-	195,806	-	-	195,806
Comprehensive loss	-	-	-	-	(1,749,549)	(1,749,549)
Balance, June 30, 2015	**354,285,909**	**54,966,062**	**5,805,094**	**695,636**	**(36,771,584)**	**24,695,208**

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

1. Nature of operations

Encanto Potash Corp. (“the Company” or "Encanto") was incorporated under the laws of British Columbia, Canada, in 1986. The Company's corporate head office is located at Suite 450, 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

Encanto is an exploration and development company focused on potash properties in the Province of Saskatchewan. The Company is primarily focused on the development of potash mineral deposits located on the Muskowekwan First Nation reserve lands located approximately 100 km north of Regina, Saskatchewan. The Company is a reporting issuer in the provinces of Alberta and British Columbia and trades on the TSX Venture Exchange (“TSXV”) under the trading symbol “EPO”.

2. Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the 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. Such adjustments could be material.

At June 30, 2015, the Company has a working capital deficit of $8,814,142, has not yet achieved profitable operations, has commitments due in the coming fiscal year and had an accumulated deficit of $36,771,584 since inception and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to develop its mineral property interests and to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. As part of its ongoing strategic plan the Company is exploring alternate financing opportunities including equity financings, debt financings and strategic partner arrangements. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

3. Basis of presentation

These condensed interim consolidated financial statements for the three and six months ended June 30, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s December 31, 2014 annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). The condensed interim consolidated financial statements have been prepared under the historical cost convention.

These financial statements were approved by the board of directors for use on August 26, 2015.

The condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s December 31, 2014 annual audited consolidated financial statements.

For comparative purposes, the Company has retrospectively reclassified proceeds received on private placements to be allocated fully to share capital and a nil value of warrants to be allocated to contributed surplus.

4. Accounting standards issued but not yet effective

The standards and interpretations that are issued up to the date of issuance of the Company's financial statements and applicable to the Company, but were not effective during the three and six months ended June 30, 2015, are disclosed below. The Company intends to adopt these standards when they become effective. The Company is in the process of assessing the impact of the adoption of these standards and interpretations.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instruments. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted.

5. Critical accounting estimates and judgments

There have been no material revisions to the nature of judgments and estimates of amounts reported in the Company's December 31, 2014 annual consolidated financial statements.

6. Mineral property interests - Schedule 1

a) Muskowekwan First Nation project
On October 22, 2010, through its wholly-owned subsidiary, Encanto Resources Ltd. ("ERL"), the Company and Muskowekwan First Nation ("MFN") and their corporate nominee, Muskowekwan Resources Ltd. ("MRL"), signed an agreement (the "JVA") for the purpose of developing potash mineral deposits on MFN reserve lands (the "MFN Project") in Saskatchewan. The parties have further agreed to jointly appoint a management committee to supervise the business affairs being conducted pursuant to the JVA.

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 of which $735,000 has been paid and expensed and $265,000 is due upon the grant of a mining lease by the Federal government on the MFN Project. 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 on the MFN Project.

On February 1, 2012 the Company entered into two mineral rights option agreements with MRL to add new lands to the JVA, bringing the total land package under the JVA up to 61,114 acres.

b) Chacachas and Ochapowace First Nation prospects
The Company is a party to a Memorandum Of Understanding with Chacachas First Nation ("the Chacachas MOU") and an Exploration Participation Agreement with Ochapowace First Nation ("the Ochapowace EPA") (collectively "the Ochap-Chac Bands"). The Company has obtained two permits from the Crown to explore and develop potash minerals on the Ochap-Chac Bands' reserve lands which are all located in Saskatchewan.

The Ochapowace EPA and Chacachas MOU provide that in the event preliminary exploration work leads to a "second phase work program" on any respective Ochap-Chac 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 the respective Ochap-Chac Band, at an exercise price as set out respectively in the Ochapowace EPA and Chacachas MOU.

On August 9, 2013 the Company entered into a farm out agreement (the "Farm-Out Agreement") to earn a 55% working interest in certain oil and gas permits located on the Ochapowace First Nation reserve land. To earn the 55% interest, the Company was required to fund the drilling of a test well. The drilling of the well was completed during December 2013.

On October 9, 2013 the Company entered into an agreement, with a Director (the "Related Party"), to sell an 80% interest in the Company's potash rights under the Ochapowace EPA and a 50% working interest in the oil and gas permits under the Farm-Out Agreement dated August 9, 2013 for proceeds of $1,150,000 which were received in the fourth quarter of fiscal 2013. On January 28, 2014, pursuant to the agreement, the Related Party paid a further $100,000 towards the completion of a NI 43-101 compliant reserve report. The Company had also granted the Related Party the right, until October 9, 2015, to put these interests back to the Company for common shares of the Company.

During the year ended December 31, 2014 the number of common shares of the Company to be issued in the event the Related Party put the interest back to the Company was fixed as being equal to the amount of funds advanced divided by $0.17 per share or 7,352,941 shares. The fair value of the liability was reclassified to equity in accordance with Company's accounting policy.

c) SPAR property

Subsequent to June 30, 2015 the Company did not renew the permit of KP441 and no longer holds any title to the claim. An impairment write down of $5,269,068 had already been taken during fiscal 2014.

7. Flow-through premium liability

The flow-through premium liability balance as of June 30, 2015 of $105,262 (December 31, 2014 - $105,262) arose in connection with the flow-through share offerings the Company completed on April 15, 2014. The reported amount is the unamortized balance of the premium recorded from issuing the flow-through shares. This balance does not represent a cash liability to the Company but rather this balance will be amortized to the statement of comprehensive loss pro-rata with the amount of qualifying flow-through expenditures that are incurred by the Company after the tax benefit is renounced to the shareholders.

In February 2015, with an effective date of December 31, 2014 the Company renounced $999,989 of flow-through share proceeds to the respective flow-through share subscribers with an effective date of renunciation of December 31, 2014.

The Company is committed to incur on or before December 31, 2015 qualifying Canadian exploration expenses as defined under the *Income Act, Canada* ("Qualifying CEE") in the amount of $999,989 with respect to the flow-through share financings completed during the fiscal year ended December 31, 2014. None of the Qualifying CEE will be available to the Company for future deduction from taxable income.

As at June 30, 2015 the Company has not incurred any of the required qualifying Canadian exploration expenses.

(Unaudited, Expressed in Canadian dollars)

8. Convertible debenture

	Liability Component	Equity Component
	$	$
Balance – December 31, 2014	6,772,337	695,636
Amortization of issuance costs	25,506	-
Accretion of discount	79,440	-
Balance – June 30, 2015	6,877,283	695,636

The convertible debenture bears interest at 5% annually and as at June 30, 2015 a total of $752,091 of interest payable was accrued. The convertible debenture is repayable on January 14, 2016 or can be converted into shares at the holder's option at a rate of $0.25 per convertible debenture share.

9. 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) Financings
On May 4, 2015 the Company closed a private placement of 18,427,500 units at a price of $0.12 per unit for gross proceeds of $2,211,300. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share at $0.17 until May 4, 2016. Proceeds received on the private placement were allocated fully to the common shares and a $nil value was allocated to the warrants issued. The Company incurred cash share issuance costs of $120,337 respect of this placement.

On February 18, 2014, the Company closed a private placement of 3,150,000 units at a price of $0.17 per unit for gross proceeds of $535,000. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share at $0.30 until August 18, 2015. Proceeds received on the private placement were allocated fully to the common shares and a $nil value was allocated to the warrants issued. The Company incurred share issuance costs of $60,554 in respect of this financing.

c) Stock options

The balance of options outstanding and related information for the six months ended June 30, 2015 is as follows:

	Number of options	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance, December 31, 2014	33,100,000	$0.20	6.05
Granted	2,320,000	$0.17	
Expired	(500,000)	$0.15	
Cancelled	(925,000)	$0.21	
Balance, June 30, 2015	33,995,000	$0.20	6.19
Unvested	(593,750)	$0.17	9.00
Exercisable, June 30, 2015	**33,401,250**	**$0.20**	**6.14**

(Unaudited, Expressed in Canadian dollars)

The weighted average fair value of the options granted during the six months ended June 30, 2015 was $0.07 (2014 - $0.05). During the three months ended June 30, 2015 the Company granted 2,320,000 options which vested immediately upon grant. During the six months ended June 30, 2014 the Company granted 750,000 options. A total of 250,000 options granted vested immediately and the remaining 500,000 vested semi-annually over an 18-month period from the date of grant.

For the three and six months ended June 30, 2015, the Company recorded share-based payments expense of $181,591 and $195,806 (2014 - $233,315 and $258,885) based on granting of new options and vesting of previously granted options. The fair value of the options granted during the six months ended June 30, 2015 was determined using an option pricing model using the following weighted average assumptions:

	2015	**2014**
Risk free interest rate	1.00%	1.16%
Expected life	5 years	4 years
Expected volatility	78%	87%
Expected dividends	Nil	Nil

The balance of options outstanding as at June 30, 2015 was as follows:

Expiry date	**Exercise price**	**Remaining life (years)**	**Options Outstanding**	**Unvested**	**Vested**
December 31, 2015	$0.17	0.50	1,500,000	-	1,500,000
December 31, 2015	$0.15	0.50	500,000	-	500,000
April 28, 2018	$0.17	2.83	200,000	-	200,000
July 13, 2019	$0.17	4.04	6,750,000	-	7,250,000
September 16, 2019	$0.25	4.22	1,000,000	-	1,000,000
July 13, 2020	$0.15	5.04	5,350,000	-	5,850,000
September 1, 2021	$0.17	6.18	525,000	-	525,000
September 1, 2021	$0.26	6.18	3,650,000	-	3,650,000
April 24, 2022	$0.30	6.82	500,000	-	500,000
June 28, 2022	$0.17	7.00	200,000	-	200,000
June 28, 2022	$0.30	7.00	2,400,000	-	2,400,000
January 9, 2023	$0.17	7.53	870,000	-	870,000
January 9, 2023	$0.25	7.53	1,575,000	-	1,575,000
March 25, 2023	$0.28	7.74	275,000	-	275,000
October 18, 2023	$0.20	8.31	100,000	-	100,000
November 20, 2023	$0.20	8.40	2,000,000	-	2,000,000
February 19, 2024	$0.20	8.65	750,000	125,000	625,000
April 28, 2024	$0.17	8.84	2,980,000	193,750	2,786,250
October 9, 2024	$0.15	9.28	550,000	275,000	275,000
May 7, 2025	$0.17	9.86	2,320,000	-	2,320,000
			33,995,000	593,750	33,401,250

(Unaudited, Expressed in Canadian dollars)

d) Share purchase warrants

The balance of warrants outstanding and related information for the six months ended June 30, 2015 is as follows:

	Number of warrants	Weighted average exercise price (per share)	Weighted average remaining life (years)
Balance, December 31, 2014	32,769,974	$0.29	1.08
Issued	18,427,500	$0.17	
Expired	(7,136,624)	$0.29	
Balance, June 30, 2015	**44,060,850**	**$0.24**	**0.81**

The balance of warrants outstanding as at June 30, 2015 was as follows:

Expiry date	Warrants outstanding	Exercise price (per share)	Remaining life (years)
August 18, 2015	3,150,000	$0.30	0.13
October 15, 2015	10,428,350	$0.30	0.29
May 4, 2016	18,427,500	$0.17	0.85
October 9, 2016	5,585,000	$0.30	1.28
December 9, 2016	6,470,000	$0.25	1.45
	44,060,850	$0.24	0.81

Subsequent to June 30, 2015 a total of 3,150,000 warrants with an exercise price of $0.30 expired unexercised.

10. Finance expenses

During the three and six months ended June 30, 2015 and 2014 the Company incurred the following finance expenses related to the convertible debenture and loan.

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	$	$	$	$
Amortization of issuance costs	12,753	43,358	25,506	134,128
Accretion of discounts	39,720	141,470	79,440	271,953
Interest expense	87,501	92,152	175,002	191,954
	139,974	276,980	279,948	598,035

(Unaudited, Expressed in Canadian dollars)

11. Related party transactions

Key management includes the directors, the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer. Compensation paid or payable to key management for services provided during the three and six months ended June 30, 2015 and 2014 was as follows:

	Three months ended June 30		**Six months ended June 30**	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Management compensation	99,000	99,000	198,000	198,000
Share-based payments	105,264	148,590	111,066	148,590
	204,264	247,590	309,066	346,590

The Company incurred additional expenditures charged by related parties during the three and six months ended June 30, 2015 and 2014 as follows:

	Three months ended June 30		**Six months ended June 30**	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Management compensation	50,156	52,400	101,104	105,306
Share issuance costs	22,113	36,509	22,113	49,364
	72,269	88,909	123,217	154,670

Included in accounts payable and accrued liabilities as at June 30, 2015 was $702,526 (December 31, 2014 - $757,615) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. A director of the Company holds $5,000,000 of the total $7,000,000 convertible debenture.

12. Supplemental cash flow information

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the condensed interim consolidated statements of cash flow. During the six months ended June 30, 2015 and 2014 the following transactions were excluded from the condensed interim consolidated statements of cash flows:

	2015	**2014**
	$	**$**
Non-cash investing and financing transactions		
Warrants issued in connection with loan	-	37,809
Flow through premium liability	-	105,262
Mineral property interest expenditures in accounts payable	69,776	195,999
Mineral property interest expenditures in accounts payable as at December 31	(229,942)	(2,479,754)

13. Commitments

In addition to any commitments pursuant to mineral property interest obligations (Note 7) and qualifying Canadian exploration expenses (Note 7), as at June 30, 2015, the Company is committed to payments, for the next 12 months of $600,000 under consulting services agreements, $43,332 on lease payments for office premises and $189,600 in interest payable on the convertible debenture. The $7,000,000 convertible debenture is repayable on January 14, 2016 or can be converted into shares at the holder’s option at a rate of $0.25 per convertible debenture share.

ENCANTO POTASH CORP.

Schedule 1

Consolidated Schedule of Changes in Mineral Property Interests

(Expressed in Canadian dollars)

	MFN Project	Chacachas Ochapawace First Nation Prospects	Spar Property	Total
	$	$	$	$
Balance, December 31, 2013	**27,352,678**	**5,429,087**	**5,248,138**	**38,029,903**
Deferred exploration expenditures				
3-D seismic	-	9,033	-	9,033
Consulting	66,897	29,127	-	96,024
Drilling	-	113,890	-	113,890
Feasibility	328,113	-	-	328,113
Permitting	18,467	12,387	20,930	51,784
	413,477	164,437	20,930	598,844
Impairment of mineral property interests	-	-	(5,269,068)	(5,269,068)
Balance, December 31, 2014 and June 30, 2015	**27,766,155**	**5,593,524**	**-**	**33,359,679**