

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

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the three and nine months ended September 30, 2015 has been prepared as of November 26, 2015. It should be read in conjunction with the condensed interim consolidated financial statement of Encanto Potash Corp (the "Company") for the three and nine months ended September 30, 2015 as well as the audited annual consolidated financial statements for the year ended December 31, 2014 and the accompanying MD&A for the year then ended.

All amounts are expressed in Canadian dollars unless otherwise indicated.

**Description of Business**

The Company is an exploration and mine development company focused on potash properties in the Province of Saskatchewan, the largest producing potash region in the world. The Company is primarily focused on the development of its flagship property, the Muskowekwan First Nation Project ("MFN Project"), and in February of 2013 it completed a pre-feasibility study in respect thereof. The Company is currently working on a feasibility study on the MFN Project. In addition to its flagship property, the Company holds an interest in one other potash property in Saskatchewan, namely the Ochapowace and Chacachas First Nation Property.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan and Ontario and trades on the TSX Venture Exchange ("TSXV") under the trading symbol "EPO".

**Recent Highlights**

The Company entered into a Memorandum of Understanding with Metals and Minerals Trading Corporation of India ("MMTC"). The Memorandum of Understanding is to define the framework for a long term supply arrangement for Muriate of Potash. Previously the Company had been in discussions with Rashtriya Fertilizer Corp. ("RCF"). However, the Indian government has taken over the overall negotiations and decided that MMTC, with a market cap nearly double that of RCF, would be a more suitable entity for these negotiations.

On August 27, 2015 the Company announced a private placement of 8,333,333 common shares at a price of \$0.12 per share with a related party for total gross proceeds of \$1,000,000. As part of the private placement the Company will also assign a further 15% interest in the potash rights of the Ochapowace First Nation prospect to the same related party. As at September 30, 2015 the Company had received gross proceeds of \$765,000 and incurred share issue costs of \$5,106 in relation to the private placement. Subsequent to September 30, 2015 the private placement was completed.

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.

### **Muskowekwan First Nation Potash Mine Project**

The Muskowekwan First Nation ("MFN") Project is located in southeastern Saskatchewan, approximately 100 km north of Regina, and comprises a total of approximately 61,114 acres.

The Company's 100% interest in the MFN Project was acquired through an agreement with MFN and Muskowekwan Resources Ltd. ("MRL") in October 2010 under which the Company obtained the exclusive right to work with MFN and MRL in proceeding to explore, develop and produce the potash minerals on the property.

The MFN, whose reserve lands contain the potash resources, are continuing to assist the Company in MFN member consultations and in developing the skills training programs to ensure maximum MFN employment and benefit and in the securing and maintaining of the necessary licenses and permits.

The Company is currently working on a feasibility study (the "FS") on the MFN Project. The feasibility team consists of Novopro Projects as the study lead and SNC Lavalin and Agapito Associates.

The Company announced the positive results of a Pre-Feasibility Study dated February 28 2013 titled "Encanto Potash Corp. Technical Report Summarizing the Preliminary Feasibility Study for the Muskowekwan First Nations Home Reserve Project in South Eastern Saskatchewan, Canada", in which it reported a Proven and Probable Recoverable Reserve of 161.97 million tonnes grading 28% KCl. This Reserve tonnage would support a mine life of 57 years with an assumed extraction rate of 2.8 million tonnes annually.

The reserve/resource breakdown is as follows:

<b>Solution Mining Resource Summary (Proven and Probable Reserves)*</b>	
<b>Category</b>	<b>KCl Reserves (MMT)</b>
Total Proven Reserves	34.23
Total Probable Reserves	127.74
Proven and Probable Reserves	161.97

\*Note – Reserves listed above in addition to and separate from the Resources listed in the table below.

<b>Solution Mining Resource Summary (Measured and Indicated)</b>	
<b>Category</b>	<b>KCl Reserves (MMT)</b>
Total Measured	4.84
Total Indicated	30.56
Total Measured and Indicated	35.40

<b>Solution Mining Resource Summary (Inferred)</b>	
<b>Category</b>	<b>KCl Reserves (MMT)</b>
Total inferred	165.80

### **Ochapowace and Chacachas First Nation Property**

The Ochapowace and Chacachas First Nation properties are located in Saskatchewan, approximately 130 kilometres east of Regina, and comprise a total of approximately 50,000 acres.

Through its wholly-owned subsidiary, Encanto Resources Ltd. (“ERL”), the Company is a party to an Exploration Participation Agreement (“EPA”) with Ochapowace First Nation and a Memorandum of Understanding (“MOU”) with Chacachas First Nation (collectively “the Bands”). The Company has obtained two permits from the Crown to explore and develop potash minerals on the reserve lands of the Bands.

Pursuant to an agreement dated October 9, 2013 (the "**Funding Agreement**") between the Company and Hamad Al-Wazzan, a director of the Company, the Company received funding of \$1,250,000 to drill a test well on the Ochapowace and Chacachas First Nation Property (to test both the potash and oil and gas potential). Pursuant to the Funding Agreement, Mr. Al-Wazzan was granted an 80% interest in the Company's potash rights under the Ochapowace EPA and a 50% working interest in the oil and gas permits and leases on the Ochapowace and Chacachas First Nation Property. The Company granted Mr. Al-Wazzan the right, until October 9, 2015, to put these interests back to the Company for 7,352,941 shares. Subsequent to September 30, 2015 the option to put these interest back to the Company was extended until January 9, 2016.

Pursuant to a farmout agreement dated August 9, 2013 between the Company and Vital Energy Inc (“Vital Energy”) (formerly Sundance Energy Company), the Company has retained a 5% working interest in the oil and gas leases.

In December 2013 the Company completed the drilling of the test well under the Funding Agreement. The well was drilled to a depth of 1,307 meters and two potash members were intercepted in the Prairie Evaporite formation which contained the following grades and intercepts:

<b>Potash Member</b>	<b>Depth to (m)</b>	<b>Width (m)</b>	<b>% K2O</b>	<b>%KCl</b>	<b>% Carnallite</b>	<b>% Insols</b>
Belle Plaine	1,235.1	6.3	14.3	22.7	0.5	5.5
Esterhazy	1,258.5	7.56	17.8	28.2	2.3	4.3

Note: All results reported are weighted averages

The positive assay results obtained from drilling the test well have justified the initiation of a resource review for the Ochapowace and Chacachas First Nation Property. The review has been carried out and has indicated that further drilling and possibly additional seismic shooting will be required before a resource calculation can be carried out.

On August 27, 2015 the Company announced a private placement of 8,333,333 common shares at a price of \$0.12 per share with a related party for total gross proceeds of \$1,000,000. As part of the private placement the Company will also assign a further 15% interest in the potash rights of the Ochapowace First Nation prospect to the same related party. The Company allocated \$0.08 per share to the private placement and \$0.04 per share to the assignment of the Ochapowace First Nation prospect and recognized an impairment write down of \$3,371,303.

## Quarterly Results

The following is selected financial data for the last eight quarters ending with the most recently completed quarter, being the three months ended September 30, 2015.

<b>Three months ended</b>				
	<b>September 30 2015 (\$)</b>	<b>June 30 2015 (\$)</b>	<b>March 31 2015 (\$)</b>	<b>December 31 2014 (\$)</b>
Total revenue	-	-	-	-
Net (loss) income	(4,136,186)	(929,718)	(819,831)	(6,379,374)
Net loss per share (basic and diluted) <sup>(1)</sup>	(0.01)	(0.00)	(0.00)	(0.03)
Deferred exploration expenditures and acquisition costs	(32,750)	-	-	46,822
Total assets	30,005,626	33,775,216	33,563,752	33,639,515

<b>Three months ended</b>				
	<b>September 30 2014 (\$)</b>	<b>June 30 2014 (\$)</b>	<b>March 31 2014 (\$)</b>	<b>December 31 2013 (\$)</b>
Total revenue	-	-	-	-
Net income (loss)	(1,090,864)	(1,467,826)	(1,172,957)	325,808
Net loss per share (basic and diluted) <sup>(1)</sup>	(0.00)	(0.00)	(0.00)	(0.00)
Deferred exploration expenditures and acquisition costs	21,340	44,633	486,049	4,197,493
Total assets	38,991,369	39,016,730	36,063,389	36,288,422

<sup>(1)</sup> The basic and diluted loss per share calculation results in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

During the quarter ended September 30, 2015 the credit in deferred exploration expenditures is due to a receivable recorded in relation to the Funding Agreement on the Ochap property.

During the quarter ended September 30, 2015 and December 31, 2014 the Company recorded an impairment charge of \$3,371,303 and \$5,269,068 relating to the Ochapowace property and the Spar property respectively.

During the quarter ended December 31, 2013 the net income is as a result of recognizing a deferred tax recovery of \$2,207,001. The increase in deferred exploration expenditures reflects a drilling program on the Ochapowace First Nation property and work on the FS on the MFN project.

## Results of Operations

### Three months ended September 30, 2015

During the three months ended September 30, 2015, the Company reported a net loss of \$4,136,186 or \$0.01 loss per share (2014 - \$1,090,864 or \$0.00 loss per share).

	2015 (\$)	2014 (\$)
General and administrative expenses	(619,067)	(838,185)
Share-based payments	(5,842)	(21,743)
Finance expenses	(139,974)	(230,936)
Impairment on mineral property interest	(3,371,303)	-
Net loss for the period	(4,136,186)	(1,090,864)

With respect to general and administrative expenses, the 2015 expenditures were generally lower than those of 2014 primarily because of a focus to reduce costs in the economic downturn. The most significant variances in general and administrative expenses were with respect to First Nation consulting and First nation development and designation.

#### First Nation combined – \$51,111 (2014 - \$199,505)

The Company continues to retain the services of consultants and advisors who are conversant with First Nation requirements and have stature in the First Nation communities. The expense has decreased in connection with decreased consulting services and initiatives being provided.

Share-based payments expense of \$5,842 (2014 - \$201,648) was recorded on vesting of previously granted options compared to the fiscal 2014 expense that was recorded on granting of new options and on vesting of previously granted options.

Finance expenses of \$139,974 (2014 - \$419,922) were recognized in the period in relation to the convertible debenture. The decrease in expense is due to the fact that the convertible debenture repayment date was extended on August 22, 2014 thereby decreasing the accretion expense recorded in the current period and future periods.

During the three months ended September 30, 2015 the Company announced a private placement. As part of the private placement the Company will also assign a further 15% interest in the potash rights of the Ochapowace First Nation prospect. The Company recognized an impairment write down of \$3,371,303.

**Nine months ended September 30, 2015**

During the nine months ended September 30, 2015, the Company reported a net loss of \$5,885,735 or \$0.02 loss per share (2014 - \$3,918,322 or \$0.01 loss per share).

	<b>2015</b> <b>(\$)</b>	<b>2014</b> <b>(\$)</b>
General and administrative expenses	(1,898,844)	(2,808,723)
Gain on sale of investment	5,982	-
Share-based payments	(201,648)	(280,628)
Deferred income tax recovery	-	186,675
Finance expenses	(419,922)	(828,971)
Impairment on mineral property	(3,371,303)	-
Net loss for the period	(5,885,735)	(3,731,647)

With respect to general and administrative expenses, the 2015 expenditures were generally lower than those of 2014 primarily because of a focus to reduce costs in the economic downturn. The most significant variances in general and administrative expenses were with respect to First Nation consulting, First nation development and designation and legal and audit costs.

First Nation combined – \$212,584 (2014 - \$698,417)

The Company continues to retain the services of consultants and advisors who are conversant with First Nation requirements and have stature in the First Nation communities. The expense has decreased in connection with decreased consulting services and initiatives being provided.

Legal and audit - \$197,430 (2014 - \$420,902)

The expense has decreased as the Company completed initiatives to advance the development of the MFN project in previous periods.

The Company recognized a gain of \$5,982 on the sale of its remaining Vital Energy shares during the nine months ended September 30 2015.

Share-based payments expense of \$201,648 (2014 - \$280,628) was recorded based on granting of new options and on vesting of previously granted options.

The Company recognized a deferred income tax recovery of \$186,675 during the nine months ended June 30, 2014 as a result of the Company accounting procedures for flow-through shares.

Finance expenses of 419,922 (2014 - \$828,971) were recognized in the period in relation to the convertible debenture. The decrease in expense is due to the fact that the convertible debenture repayment date was extended on August 22, 2014 thereby decreasing the accretion expense recorded in the current period and future periods and during the nine months ended September 30, 2014 there were also issuance costs recorded in relation to a short term loan that were not incurred during the nine months ended September 30, 2015.

During the nine months ended September 30, 2015 the Company announced a private placement whereby the Company will also assign a further 15% interest in the potash rights of the Ochapowace First Nation prospect. The Company recognized an impairment write down of \$3,371,303.

## **Capital Expenditures**

During the nine months ended September 30, 2015, the Company did not incur significant deferred exploration expenditures due to its financial situation. During the nine months ended September 30, 2014 the Company incurred deferred exploration expenditures of \$552,022 which were related to the feasibility study on the MFN Project and a drilling campaign on Ochapawace. (For more information refer to Schedule 1 in the condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2014.)

## **Financing Activities**

On August 27, 2015 the Company announced a private placement of 8,333,333 common shares at a price of \$0.12 per share with a related party for total gross proceeds of \$1,000,000. As part of the private placement the Company will also assign a further 15% interest in the potash rights of the Ochapowace First Nation prospect to the same related party. As at September 30, 2015, the Company received gross proceeds of \$765,000 and incurred share issue costs of \$5,106 in relation to private placement. Subsequent to September 30, 2015 the private placement was completed.

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.

On February 20, 2014 the Company received \$750,000 pursuant to a loan agreement (the "Loan"). The Loan bore interest at 15% per annum and was repayable on or before April 20, 2014. The Loan included the issuance of 1,000,000 bonus share purchase warrants exercisable at \$0.20 with an expiry date of February 20, 2015. On April 14, 2014 the Loan and accrued interest was repaid in full.

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.

## **Liquidity and Capital Resources**

As at September 30, 2015, the Company had a working capital deficit of \$8,671,564 (including \$6,929,756) of convertible debenture and interest accrued) compared to a working capital deficit of \$2,485,570 as at December 31, 2014. Both working capital deficit figures exclude the \$105,262 non-cash flow-through premium liability. The Company is currently in discussions to extend the repayment date of the convertible debenture by one year, until January 14, 2017.

The Company is currently in the development stage and depends on the junior resource capital markets to raise funds to carry out its exploration and development programs. The Company will require additional funding in order to cover its general and administrative expenses for the next 12 months plus complete the FS. As part of its ongoing strategic plan the Company continues to explore alternate financing opportunities including equity financings, debt financings and strategic partner arrangements.

## Related Party Transactions

The Company's related parties consist of the Company's directors, officers and companies associated with them including the following:

- Malaspina Consultants Inc., a company owned by Robert McMorran, a director and the Chief Financial Officer;
- Fiore Management & Advisory Corp, a company which Gordon Keep, Chairman of the Board, is the Chief Executive Officer

Compensation paid or payable to the directors, the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer for services provided during the three and nine months ended September 30, 2015 and 2014 as follows:

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Management compensation	99,000	99,000	297,000	297,000
Share-based payments	2,371	23,048	113,438	202,214

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Management compensation <sup>(1)</sup>	51,250	52,356	152,624	157,662
Share issuance costs <sup>(2)</sup>	-	-	22,113	49,364

(1) The charge includes monthly fees paid to Malaspina Consultants Inc. (excluding CFO time) and Fiore Management & Advisory Corp.

(2) The charge includes fees paid to Fiore Management & Advisory Corp.

Included in accounts payable and accrued liabilities as at September 30, 2015 was \$1,111,316 (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.

## Financial instruments

The Company's financial instruments consist of cash, deposits, investment, accounts payable and accrued liabilities and convertible debenture. The Company designated its cash and deposits as loans and receivables. The investment is designated as available-for-sale, which is measured at fair value. The accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost. The convertible debenture is designated as other financial liabilities, which is measured at amortized cost, using the effective interest rate.

### 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 nine months ended September 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.

### Outstanding Share Data

The following table discloses the Company's share capital structure as at November 26, 2015, the date of this MD&A.

#### a) Authorized:

- Unlimited common shares without par value
- 100,000,000 Class A non-voting preference shares, par value \$10 each
- 100,000,000 Class B non-voting preference shares, par value \$50 each

#### b) Issued and outstanding common shares: 354,285,909

#### c) Fully diluted common shares:

Type of Security	Number
Stock options	33,995,000
Share purchase warrants	30,482,500
Convertible debenture	28,000,000
Put option	7,352,941
<b>TOTAL DILUTION</b>	<b>454,116,350</b>

### Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the three and nine months ended September 30, 2015 and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Risks and Uncertainties**

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

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices and interest rates all of which are beyond the Company's control. Additional financial risks are the Company's ability to raise capital and to repay indebtedness it incurs.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

## **Outlook**

The Company's primary focus for fiscal 2015 will be as follows:

- Continue work on the FS on the MFN Project.
- Continue exploring domestic and international strategic partnerships for the financing, development and sale of the potash production from its MFN Project.

## **Other Information**

Additional information related to the Company including its filed National Instrument 43-101 Technical Report is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.encantopotash.com](http://www.encantopotash.com).

## **Forward-Looking Statements**

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

This MD&A and in particular the "Outlook" section, contains forward-looking statements including, without limitation, the interpretation of drill results and future equity financing activities. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors.

Information concerning the interpretation of drill results may be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 26, 2015.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; actual results of current exploration activities; conclusions of economic evaluations; future price of potash; failure of plant, equipment or processes to operate as anticipated; accidents; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals of financial or in the completion of development or construction activities; as well as those factors discussed in the sections entitled "Risks and Uncertainties". Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

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".