

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 months ended March 31, 2016 has been prepared as of May 30, 2016. It should be read in conjunction with the condensed interim consolidated financial statement of Encanto Potash Corp (the "Company") for the three months ended March 31, 2016 as well as the audited annual consolidated financial statements for the year ended December 31, 2015 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 (the "FS") 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

On May 24, 2016 the Company closed a flow-through private placement of 3,125,000 common shares at a price of \$0.16 per common share for gross proceeds of \$500,000.

On May 20, 2016 the Company was advised by the TSX Venture Exchange that it had accepted the Company's application to close a private placement for 26,000,000 units at a price of \$0.105 per unit for gross proceeds of \$2,730,000. Each unit consists of one common share and one purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.16 per share for a period of 30 months after closing.

On April 18, 2016 the Company extended the expiry date of certain warrants. The warrants scheduled to expire May 4, 2016 were extended to an expiry date of May 4, 2018, the warrants scheduled to expire October 9, 2016 were extended to an expiry date of October 9, 2017 and the warrants scheduled to expire October 23, 2016 were extended to an expiry date of October 25, 2017.

On April 14, 2016 the Company announced that they have finalized important terms for their Memorandum of Understanding ("MOU") with Metals and Minerals Trading Company of India ("MMTC") for a substantial off-take agreement. Following months of continued negotiations subsequent to the signing of the MOU with MMTC previously announced on October 15, 2015, which outlined the base terms to a long term off-take agreement, Encanto confirms that the MOU is now expanded for an annual supply of a minimum of 2,000,000 metric tonnes of potash (approximately US\$600 million at current prices) from the Company's MFN Project.

On March 1, 2016 new convertible debentures were issued in replacement of previously outstanding convertible debentures in the aggregate principal amount of \$7 million plus accrued interest of \$0.7 million which matured on January 14, 2016. The March 1, 2016 convertible debentures are secured by all of the assets of the Company, bear interest at the rate of 7.5% per annum, will mature on September 1, 2017 and are convertible in whole or in part at the option of the holders into common shares of the Company at a price of \$0.10 per common share on or before September 1, 2017. A related party, Mr. Al-Wazzan, holds \$5.4 million of the new convertible debentures.

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 Inc. as the study lead and SNC-Lavalin Group Inc. and Agapito Associates Inc.

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:

Solution Mining Resource Summary (Proven and Probable Reserves)*	
Category	KCl Reserves (MMT)
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.

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

Solution Mining Resource Summary (Inferred)	
Category	KCl Reserves (MMT)
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 Mr. 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 January 9, 2016 (extended from October 9, 2015), to put these interests back to the Company for 7,352,941 shares. The put option expired unexercised on January 9, 2016 leaving the Company holding a 5% interest in the potash rights as at March 31, 2016. The Company and Mr. Al-Wazzan remain in discussions regarding the possibility of entering into a new put option in the future.

Pursuant to a farm out 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. During the year ended December 31, 2015 the leases under the Farm-out Agreement expired.

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:

Potash Member	Depth to (m)	Width (m)	% K₂O	%KCl	% Carnallite	% Insols
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 December 10, 2015 the Company closed a private placement of 8,333,333 common shares at a price of \$0.12 per share with Mr. Al-Wazzan for total gross proceeds of \$1,000,000. As part of the private placement the Company assigned a further 15% interest in the potash rights of the Ochapowace First Nation prospect to the same related party. The Company allocated an estimated fair value of \$155,250 to the assignment of the Ochapowace First Nation prospect.

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 March 31, 2016.

Three months ended				
	March 31 2016 (\$)	December 31 2015 (\$)	September 30 2015 (\$)	June 30 2015 (\$)
Total revenue	-	-	-	-
Net loss	(643,593)	(2,203,221)	(4,136,186)	(929,718)
Net loss per share (basic and diluted) ⁽¹⁾	(0.00)	(0.01)	(0.01)	(0.00)
Deferred exploration expenditures and acquisition costs	-	329,822	(32,750)	-
Total assets	28,486,855	29,403,049	30,659,692	33,775,216

Three months ended				
	March 31 2015 (\$)	December 31 2014 (\$)	September 30 2014 (\$)	June 30 2014 (\$)
Total revenue	-	-	-	-
Net loss	(819,831)	(6,379,374)	(1,090,864)	(1,467,826)
Net loss per share (basic and diluted) ⁽¹⁾	(0.00)	(0.03)	(0.00)	(0.00)
Deferred exploration expenditures and acquisition costs	-	46,822	21,340	44,633
Total assets	33,563,752	33,639,515	38,991,369	38,994,375

⁽¹⁾ 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 December 31, 2015 and September 30, 2015 the Company reviewed and concluded that there were impairment indicators on the Ochapowace property. Management estimated the recoverable amount of the property and recorded an impairment charge of \$1,162,813 and \$3,371,303 respectively. During the quarter ended December 31, 2014 the Company recorded a write down of \$5,269,069 as the Company did not renew the Spar property permits.

Results of Operations

During the three months ended March 31, 2016, the Company reported a net loss of \$643,593 or \$0.00 loss per share (2015 - \$819,831 or \$0.00 loss per share). Operating activities consumed \$574,616 before working capital adjustments.

	2016 (\$)	2015 (\$)
General and administrative expenses	(467,875)	(671,624)
Gain on sale of investment	-	5,982
Share-based payments	-	(14,215)
Finance expenses	(175,718)	(139,974)
Net loss for the period	(643,593)	(819,831)

With respect to general and administrative expenses, the 2016 expenditures were generally consistent with 2015 because of the continued focus to reduce costs in the economic downturn. The most significant general and administrative expenses were with respect to First Nation consulting and management compensation.

First Nation consulting – \$nil (2015 - \$114,716)

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. There was no expense in the period as there were no consulting services and initiatives being provided.

Management compensation - \$169,760 (2015 - \$209,948)

The expense has decreased as Management is making a concerted effort to reduce fees due to the reduced activity of the Company.

The Company recognized a gain of \$5,982 on the sale of its remaining Vital Energy shares during the three months ended March 31, 2015.

Share-based payments expense of \$nil (2015 - \$14,215) was recorded based solely on vesting of previously granted options.

Finance expenses of \$175,718 (2015 - \$139,974) were recognized in the period in relation to the convertible debenture. The increase is due to the previous \$7million convertible debenture maturing and a new \$7.7million convertible debenture being issued.

Capital Expenditures

During the three months ended March 31, 2016 and 2015, the Company did not incur any deferred exploration expenditures due to its financial situation. (For more information refer to Schedule 1 in the condensed interim consolidated financial statements of the Company for the three months ended March 31, 2016.)

Financing Activities

On May 24, 2016 the Company closed a flow-through private placement of 3,125,000 common shares at a price of \$0.16 per common share for gross proceeds of \$500,000.

Liquidity and Capital Resources

As at December 31, 2015, the Company had a working capital deficit of \$2,560,338 compared to a working capital deficit of \$9,667,950 (including \$6,982,229 of convertible debenture and accrued interest of \$692,087) as at December 31, 2015.

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. As part of its ongoing strategic plan the Company continues to explore alternate financing opportunities including equity financings, debt financings and strategic partner arrangements.

Subsequent to March 31, 2016 the Company closed a flow-through private placement of 3,125,000 common shares at a price of \$0.16 per common share for gross proceeds of \$500,000 and has been advised by the TSX Venture Exchange that it had accepted the Company's application to close another private placement for 26,000,000 units at a price of \$0.105 per unit for gross proceeds of \$2,730,000.

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, the Chief Financial Officer;
- Fiore Management & Advisory Corp, a company which Gordon Keep, Chairman of the Board, is Chief Executive Officer
- Horgen Holdings Inc., a company which Stavros Daskos, a director, is a Principal

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 months ended March 31, 2016 and 2015 was as follows:

	2016	2015
	\$	\$
Corporate development consultants	150,000	-
Management compensation	96,000	99,000
Share-based payments	-	114,159

The Company incurred additional expenditures charged by related parties during the three months ended March 31, 2016 and 2015 as follows:

	2016	2015
	\$	\$
Management compensation ⁽¹⁾	43,700	50,948

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

Included in accounts payable and accrued liabilities as at March 31, 2016 was \$1,051,100 (December 31, 2015 - \$1,245,145) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. Amounts owing are unsecured, non-interest bearing and due on demand. Mr. Al-Wazzan holds \$5,432,900 of the total \$7,700,000 convertible debentures outstanding as at March 31, 2016.

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.

Outstanding Share Data

The following table discloses the Company's share capital structure as at May 30, 2016 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: 372,577,574

c) Fully diluted common shares:

Type of Security	Number
Stock options	31,865,000
Share purchase warrants	30,482,500
Convertible debenture	77,000,000
TOTAL DILUTION	511,925,074

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 months ended March 31, 2016 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.

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 2016 will be as follows:

- Continue creating the trading company in cooperation with the MFN and MMTC to become an active potash supplier
- Continue work on the FS on the MFN Project.

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 the date of the MD&A.
- 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”.

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 and at the Company’s website at www.encantopotash.com.