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 year ended December 31, 2016 has been prepared as of April 26, 2017. It should be read in conjunction with the audited consolidated financial statements of Encanto Potash Corp (the "Company") for the years ended December 31, 2016 and 2015.

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 continued development of its flagship property, the Muskowekwan First Nation Project ("MFN Project"), which has recently entered into an off-take agreement for the minimum supply of 5,000,000 tonnes per year.

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 April 24, 2017 the Company executed a financial advisory agreement with Taylor-Dejongh with respect to a two-phase equity financing. The first phase is to raise $10,000,000 for working capital requirements and the second phase is to raise $60,000,000 for the completion of project specific activities including a bankable feasibility study on the MFN Project.

On March 31, 2017 the Company's project partner, Muskowekwan First Nation, successfully secured the terms for and has executed a mineral lease issued through Indian Mining Regulations enabling construction of a solution potash mine on First Nation land.

On March 23, 2017 the Company and Muskowekwan Resources Ltd ("MRL") entered into a memorandum of understanding with Amec Foster Wheeler with the aim to provide First Nations members and businesses with opportunities for employment, training and mentoring during each phase of the project.

On December 30, 2016 the Company entered into a purchase agreement (the "Off-Take Agreement") with the National Federation of Farmers' Procurement Processing & Retailing Co-operatives of India Ltd. ("NACOF"). The Off-Take Agreement provides for the supply of a minimum of 5,000,000 tonnes per year for a guaranteed period of twenty years for muriate of potash.

On October 31, 2016 the Company closed a private placement of 20,588,235 flow-through shares at a price of $0.085 per share for gross proceeds of $1,750,000. Finder's fees of $105,000 were paid in connection with the private placement.

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 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.

On December 30, 2016 the Company entered into a purchase agreement (the "off-take agreement" or the "agreement") with the National Federation of Farmers' Procurement Processing & Retailing Co-operatives of India Ltd. ("NACOF"). The agreement provides for the supply of a minimum of 5,000,000 tonnes per year for a guaranteed period of twenty years for muriate of potash.

In connection with signing the Off-Take Agreement, the Company is required to pay a success fee to a related party in the amount of US$5.5 million (CDN$ 7.1 million) in cash and issue 15 million common shares (valued on date of agreement at $1,050,000) of the Company, subject to regulatory approval. The Company has recorded these costs in its the annual audited consolidated financial statements but to date, no regulatory approval has been received with respect to the share issuance and the cash payment has not been made.

The Company and MRL entered into a memorandum of understanding with Amec Foster Wheeler with the aim to provide First Nations members and businesses with opportunities for employment, training and mentoring during each phase of the project.

The Company continues to work on a feasibility study (the "FS") on the MFN Project.

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% KCI. 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 are 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.

During the year ended December 31, 2016 an impairment write down of $53,035 was taken in relation to the Ochapowace First Nation prospect as the Company has no plans for the property in the near future.

Selected Annual Information

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended December 31, 2016, 2015 and 2014:

	2016 ($)	**2015 ($)**	**2014 ($)**
Total revenues	-	-	-
Net comprehensive loss	(13,732,715)	(8,088,956)	(10,111,021)
Net loss per share (basic and diluted) [1]	(0.03)	(0.02)	(0.03)
Total assets	29,797,512	29,403,049	33,639,515
Deferred exploration expenditures	422,479	297,072	598,844
Long term debt, gross	7,700,000	7,000,000	7,000,000
Dividends declared	-	-	-

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

The loss for the year ended December 31, 2016 includes corporate development consultants' expenses of $1,640,000 under a finder's fee agreement and $8,434,850 under a success fee agreement that became due upon signing of the Off-Take Agreement.

The loss for the years ended December 31, 2015 and 2014 include an impairment charge of $4,534,116 and $5,269,068 respectively related to mineral property interests.

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 December 31, 2016.

Three months ended				
	December 31 2016 ($)	**September 30 2016 ($)**	**June 30 2016 ($)**	**March 31 2016 ($)**
Total revenue	-	-	-	-
Net loss	(10,337,488)	(784,955)	(1,966,679)	(643,593)
Net loss per share (basic and diluted) [(1)]	(0.02)	(0.00)	(0.01)	(0.00)
Deferred exploration expenditures and acquisition costs	422,479	-	-	-
Total assets	29,797,512	28,919,906	30,664,987	28,486,855

Three months ended				
	December 31 2015 ($)	**September 30 2015 ($)**	**June 30 2015 ($)**	**March 31 2015 ($)**
Total revenue	-	-	-	-
Net loss	(2,203,221)	(4,136,186)	(929,718)	(819,831)
Net loss per share (basic and diluted) [(1)]	(0.01)	(0.01)	(0.00)	(0.00)
Deferred exploration expenditures and acquisition costs	329,822	(32,750)	-	-
Total assets	29,403,049	33,775,216	33,563,752	33,639,515

[(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 December 31, 2016 the increase in net loss is due to corporate development consultants expenses of $840,000 under a finder's fee agreement and $8,434,850 under a success fee agreement that became due upon signing of the Off-Take Agreement

During the quarter ended June 30, 2016 the increase in net loss is due to corporate development consultants expenses of $800,000 under a finder's fee agreement.

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

Results of Operations

During the year ended December 31, 2016, the Company reported a net loss of $13,590,071 or $0.03 loss per share (2015 - $8,088,956 or $0.02 loss per share). Operating activities consumed $11,212,793 before working capital adjustments. Cash requirements for investing activities were immaterial. These cash requirements were primarily funded from private placement offerings completed during the year.

	2016 ($)	**2015 ($)**
General and administrative expenses	(12,222,448)	(2,459,540)
Deferred income tax recovery	41,000	105,262
Impairment/write off of mineral property interests	(239,206)	(4,534,116)
Write off of equipment	(16,275)	-
Part XII.6 tax and indemnification of shareholders	(92,565)	(445,000)
Finance expenses on convertible debt	(1,060,577)	(559,896)
Loss on settlement of liability	(80,000)	-
Gain on investment	-	5,982
Share-based payments	(62,644)	(201,648)
Net loss for the year	(13,590,071)	(8,088,956)

With respect to general and administrative expenses, the 2016 expenditures were significantly higher than those in 2015 due to certain incentives being earned upon signing of the Off-Take Agreement. The most significant accounts and /or variances in general and administrative expenses were with respect to corporate development consultants, management compensation and travel and accommodation.

Corporate development – $10,841,879 (2015 - $778,323)

The increase is due to a one-time issuance of performance shares under a finder's fee agreement in the amount of $1.6 million and a success fee in the amount of US$5.5 million (CDN$ 7.1 million) in cash and 15 million common shares (valued on date of agreement at $1,050,000) that was earned in connection with signing of the Off-Take Agreement.

Management compensation - $467,308 (2015 - $754,364)

The expense has decreased as Management's remuneration has been decreased and the number of individuals receiving compensation has decreased in the year.

Travel and accommodation - $225,147 (2015 - $49,897)

The increase is due to the travel required by Management in order to secure the Off-Take Agreement.

Share-based payments expense of $nil (2015 – $201,648) was recorded based on an option grant and the vesting of previously granted options during the year ended December 31, 2015. No options were granted during the year ended December 31, 2016.

Finance expenses of $1,060,577 (2015 - $559,896) were recognized in the year in relation to the outstanding convertible debenture. The increase is due to the maturity of the previous convertible debenture and the issuance of a new convertible debenture at a larger principal amount and an increased interest rate.

The Company recognized a deferred income tax recovery of $41,000 (2015 - $105,262) as a result of the Company accounting procedures for flow-through shares.

The Company wrote off $135,817 of costs related to a specific business initiative that is no longer being pursued in relation to the MFN project and recorded an impairment charge of $53,035 in relation to the Ochapowace first nation prospect as no work is planned in the near future.

During the year ended December 31, 2015, there were facts and circumstances that suggested that the carrying amount of the Ochapowace Property were impaired. The Company performed a fair value assessment and recognized an impairment write down of $4,534,116 in relation to the Ochapowace Property.

Fourth Quarter

During the fourth quarter of 2016 the Company reported a net loss of $10,194,844 compared to net loss of $2,203,221 during the same period in 2015. During the quarter ended December 31, 2016 the increase in net loss is due to the issuance of performance shares under a finder's fee agreement in the amount of $840K and a success fee in the amount of US$5.5 million (CDN$7.1 million) in cash and 15 million common shares (valued on date of agreement at $1,050,000) that was earned in connection with signing of the Off-Take Agreement. During the fourth quarter ended December 31, 2015 the Company recorded an additional impairment charge of $1,162,813 on the Ochapowace Property.

During the three months ended December 31, 2016 the Company incurred $425,000 of capital expenditures on deferred exploration on the MFN project. Capital expenditures were consistent in the fourth quarter of 2015 at $329,822.

Capital Expenditures

During the year ended December 31, 2016, the Company incurred total deferred exploration expenditures of $422,479 (2015 - $297,072). The majority of the expenditures relate to the MFN project and are shown below. (For more information refer to Schedule 1 in the audited annual consolidated financial statements of the Company.)

	MFN Project	
	2016 ($)	**2015 ($)**
Deferred exploration		
Drilling	425,000	304,762
Feasibility	-	26,511
Other	(3,306)	1,540
Permitting	-	18,467
Recovery	-	(29,800)
	421,694	**321,480**

Financing Activities
i) During the year ended December 31, 2016 the Company completed the following financing activities

On October 31, 2016 the Company closed a private placement of 20,588,235 flow-through shares at a price of $0.085 per share for gross proceeds of $1,750,000. Finder's fees of $105,000 were paid in connection with the private placement.

On June 3, 2016 and July 13, 2016 the Company closed in two tranches a private placement for 24,845,000 units at a price of $0.105 per unit for gross proceeds of $2,608,725. 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 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.

ii) During the year ended December 31, 2015 the Company completed the following financing activities:

On December 30, 2015 the Company closed a private placement of 6,833,332 flow-through common shares at a price of $0.06 per share for gross proceeds of $410,000. A total of 1,500,000 flow-through shares were subscribed by various related parties.

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.

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 (subsequently extended)

Liquidity and Capital Resources
As at December 31, 2016, the Company had a working capital deficit of $16,168,606. The working capital deficit includes $7,196,556 of convertible debenture obligation and $8,434,850 owing on a success fee to a related party. The working capital deficit was $9,667,950 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 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 project financing, 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, the Chief Financial Officer;
- Fiore Management & Advisory Corp, a company which Gordon Keep, Chairman of the Board, is Chief Executive Officer; and
- Horgen Holdings Inc., a company which Stavros Daskos, the Chief Executive Officer and director, is a principal.

Compensation paid or payable to the directors, the Chief Executive Officer and the Chief Financial Officer for services provided during the years ended December 31, 2016 and 2015 was as follows:

	2016	**2015**
	$	**$**
Corporate development consultants	9,034,850	400,000
Management compensation	267,548	396,000
Share-based payments	-	114,159

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

	2016	**2015**
	$	**$**
Management compensation (1)	169,700	204,364
Share issuance costs (2)	55,042	36,213

(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 December 31, 2016 was $9,114,854 (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 December 31, 2016 and earned interest of $384,486 (2015 - $250,000) during the year.

Financial instruments

The Company's financial instruments consist of cash, deposits, accounts payable and accrued liabilities and convertible debenture. The Company designated its cash and deposits as loans and receivables. The accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost. The fair value of cash, deposits, accounts payable and accrued liabilities approximates their carrying amount due to their short term to maturity The convertible debenture is designated as other financial liabilities, which is measured at amortized cost, using the effective interest rate.

Discussions of risks associated with financial assets and liabilities are summarized below:

Credit risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a chartered Canadian bank.

Liquidity risk
The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. As at December 31, 2016, the Company had a working capital deficiency of $16,168,606 which is not sufficient to cover funding requirements for operations as currently planned for at least the next twelve months and has commitments due in the coming year.

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 year ended December 31, 2016, are disclosed below. The Company intends to adopt these standards when they become effective.

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. The Company has initially assessed that there will be no material reporting changes as a result of adopting this new standard, however, there may be enhanced disclosure requirements

IFRS 15 Revenue from Contracts with Customers
This standard will replace IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. It provides a more detailed framework for the timing of revenue recognition and increased requirements for disclosure of revenue. It uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. The mandatory effective date is for annual periods beginning on or after January 1, 2018. The Company has initially assessed that there will be no material reporting changes.

IFRS 16 – Leases
This standard replaces IAS17-Leases and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The mandatory effective date is for annual periods beginning on or after January 1, 2019. The Company has initially assessed that there will be no material reporting changes as a result of adoption this new standard.

IAS 7 Statement of Cash Flows
In January 2016, IASB amended IAS 7, "Statement of Cash Flows", The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017. The Company has assessed that there will be no material reporting changes as a result of adopting this new standard.

Outstanding Share Data

The following table discloses the Company's share capital structure as at April 26, 2017 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 and fully diluted common shares:

Type of Security	**Number**
Issued and outstanding	440,817,039
Stock options	43,995,000
Share purchase warrants	48,857,500
Convertible debenture	77,000,000
TOTAL DILUTION	**610,669,539**

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 consolidated financial statements for year ended December 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 2017 will be to:

- Continue work on the FS on the MFN Project and to seek funding for the development of 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.