

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, 2017 has been prepared as of May 30, 2017. 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, 2017 as well as the audited annual consolidated financial statements for the year ended December 31, 2016 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 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 May 8, 2017 the Company announced the appointment to its Board of Directors of Didier Drozba.

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.

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 for the year ended December 31, 2016. As at March 31, 2017 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% 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 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.

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, 2017.

Three months ended				
	March 31 2017 (\$)	December 31 2016 (\$)	September 30 2016 (\$)	June 30 2016 (\$)
Total revenue	-	-	-	-
Net loss	(2,162,072)	(10,337,488)	(784,955)	(1,966,679)
Net loss per share (basic and diluted) ⁽¹⁾	(0.00)	(0.02)	(0.00)	(0.01)
Deferred exploration expenditures and acquisition costs	131,540	422,479	-	-
Total assets	29,033,328	29,797,512	28,919,906	30,664,987

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	33,775,216	33,563,752

⁽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 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 Ochapowace property.

Results of Operations

During the three months ended March 31, 2017, the Company reported a net loss of \$2,162,072 or \$0.00 loss per share (2016 - \$643,593 or \$0.00 loss per share). Operating activities consumed \$731,612 before working capital adjustments and cash requirements for investing activities were \$449,162. These cash requirements were funded from funds on hand.

	2017	2016
	(\$)	(\$)
General and administrative expenses	(483,888)	(467,875)
Share-based payments	(1,279,811)	-
Finance expenses	(294,953)	(175,718)
Part X11.6 tax	(3,420)	-
Net loss for the period	(2,162,072)	(643,593)

With respect to general and administrative expenses, the 2017 expenditures were generally consistent with 2016. The most significant general and administrative expenses were with respect to First Nation development and designation as the final instalment of \$115,000 became due under a development fee agreement and was expensed.

Share-based payments expense of \$1,279,811 (2016 – \$nil) was recorded based on an option grant done during the three months ended March 31, 2017. No options were granted during the three months ended March 31, 2016.

Finance expenses of \$294,953 (2016 - \$175,718) were recognized in the period in relation to the outstanding convertible debenture.

Capital Expenditures

During the three months ended March 31, 2017 and 2016, the Company incurred \$131,540 in deferred exploration expenditures. (For more information refer to Schedule 1 in the condensed interim consolidated financial statements of the Company for the three months ended March 31, 2017.)

Financing Activities

The Company did not complete any financing activities during the three months ended March 31, 2017 and 2016.

Liquidity and Capital Resources

As at March 31, 2017, the Company had a working capital deficit of \$17,182,336. The working capital deficit includes \$7,196,556 of convertible debenture obligation and \$8,184,850 owing on a success fee to a related party. The working capital deficit was \$16,168,606 as at December 31, 2016.

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, Aref Kanafani, a director and Hamad Al-Wazzan, a director, are principals.

Compensation paid or payable to the directors, the Chief Executive Officer and the Chief Financial Officer for services provided during the three months ended March 31, 2017 and 2016 was as follows:

	2017	2016
	\$	\$
Corporate development consultants	150,000	150,000
Management compensation	156,000	96,000
Share-based payments	954,041	-

The Company incurred additional expenditures charged by related parties during the three months ended March 31, 2017 and 2016 as follows:

	2017	2016
	\$	\$
Management compensation ⁽¹⁾	42,000	43,700

(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, 2017 was \$8,958,966 (December 31, 2016 - \$9,114,854) 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. Hamad Al-Wazzan, a director, holds \$5,432,900 of the total \$7,700,000 convertible debentures outstanding as at March 31, 2017 and earned interest of \$101,865 (2016 - \$79,652) during the period.

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.

Accounting standards became effective

The Company has adopted the new and revised standards and interpretations issued by the IASB listed below effective January 1, 2017. The adoption of this standard and amendment did not have a material impact on the condensed interim consolidated financial statements of the Company.

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 May 30, 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 condensed interim consolidated financial statements for three months ended March 31, 2017 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.