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, 2013 has been prepared as of May 24, 2013. It should be read in conjunction with the condensed interim consolidated financial statements of Encanto Potash Corp. (the "Company") for the three months ended March 31, 2013 as well as the audited annual consolidated financial statements of the Company for the year ended December 31, 2012 and the accompanying MD&A for the year then ended.

All amounts are expressed in Canadian dollars unless otherwise indicated.

Description of Business

Encanto is an exploration and 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 potash mine project, and has completed a pre-feasibility study ("PFS"). In addition to its flagship property, the Company holds a 100% interest in several other potash properties in Saskatchewan including the Ochapowace and Chacachas First Nation lands, and the Spar property.

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

Recent Highlights

The Company added SNC-Lavalin to the development team for their Feasibility Study ("FS") for the Muskowekwan First Nation potash mine project (the "MFN Project"). SNC-Lavalin joins the study lead, Novopro Projects, who is performing the design of the solution mining process, processing plant, storage and shipping, along with Agapito Associates, tasked with delivering the mining plan, ongoing reserve estimates, detailed well design and production schedule.

The MFN Project was accepted by the federal government under the First Nations Commercial and Industrial Development Act (FNCIDA). The Act will enable the federal government to enact regulations that incorporate a provincial regulatory regime to govern commercial and industrial activities within a province. The federal government and the Muskowekwan First Nation have begun discussions with the Province of Saskatchewan to provide regulations under FNCIDA relating to the proposed mine

The Company was issued a Water Rights Licence (the "Licence"), by the Saskatchewan Water Security Agency as an assurance of process water for the Company's MFN Project. The 12,000 cubic decametres granted annually through this licence matches what was requested by the Company and is sufficient to operate the solution mine at its full planned capacity.

The Company completed an independent PFS for the MFN Project. The PFS confirms that the MFN Project has significant positive economics and that the resource is of sufficient size, as well as grade, to support primary and secondary mining for over 50 years with potash production of 2.8 million tonnes per year.

The Company formally initiated the environmental assessment process on the MFN Project by submitting a Project Description/Technical Proposal to the Canadian Environmental Assessment Agency and the Saskatchewan Ministry of Environment.

The Company has on-going negotiations with strategic off take partners, however no binding agreement has been reached or executed and there is no assurance an agreement will be reached or executed.

The Company raised $7,000,000 on the issuance of convertible debentures. The convertible debentures bear interest at 5% and are repayable 2 years from the date of issue or can be converted into shares at the holder's option at a rate of $0.25 per convertible debenture share.

The Company raised gross proceeds of $2,703,000 from a private placement of 7,950,000 common shares at a price of $0.34 per common share.

The Company announces the appointment of Mr. Hamad Al-Wazzan and Mr. Aref Kanafani to the Board of Directors.

Muskowekwan First Nation Potash Mine Project

The 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 a joint venture agreement with Muskowekwan First Nations ("MFN") and Muskowekwan Resources Ltd. ("MRL") in October 2010 and the Company has obtained the exclusive right to work with MFN and MRL in proceeding to explore, develop and produce the potash minerals on the property. Encanto has established a strong relationship with the MFN with major support for jobs and training.

Acceptance under the First Nations Commercial and Industrial Development Act

The MFN Project was accepted by the federal government under the First Nations Commercial and Industrial Development Act (FNCIDA). The Act will enable the federal government to enact regulations that incorporate a provincial regulatory regime to govern commercial and industrial activities within a province.

The federal government and the Muskowekwan First Nation have begun discussions with the Province of Saskatchewan to provide regulations under FNCIDA relating to the proposed mine.

The acceptance of the MFN Project under FNCIDA means that the Government of Canada can begin the process of developing regulations for the MFN Project. FNCIDA, which came into effect in 2006, reproduces the provincial rules and regulations that apply to similar large-scale commercial or industrial projects off reserve and applies them to a specific on-reserve project.

In addition to becoming the first on-reserve potash mine in Canada, the proposed MFN Project is the first in Saskatchewan to utilize FNCIDA to regulate a project on reserve lands. Once the project gets under way, it is expected to generate approximately 1,000 construction jobs for the development of the mine and nearly 500 jobs once it is fully operational. In addition, the mine is expected to generate tens of millions of dollars in royalties for the First Nation annually.

Pre-Feasibility Study

The Company completed an independent PFS prepared by Novopro Projects Inc. for the MFN Project. The PFS' Economic Model for the MFN Project generated an Internal Rate of Return of 18% (20% before taxes) and a Net Present Value of $2.84 billion ($4.12 billion before taxes) yielding a Project payback period of 5 years. A list of assumptions used in the model is shown below:

Realized Potash Price (FOB Vancouver)	$460/t standard $485/t granular
Discount Rate	10%
NPV – After Tax / Pre-Tax	$2.84B / $4.12B
IRR – After Tax / Pre-Tax	18% / 20%
Inflation Rate 2%	2%
OPEX at full capacity	$54.32/t
Sustaining capital cost	$32.21/t
Logistics Costs	$50.50/t
Taxes and Royalties	$65.37/t
Initial CAPEX	$2.86 billion
Deferred CAPEX	$130 million
All CAPEX and OPEX costs are in $CAD, revenues are in $US (US to CAD exchange assumed as 1.)	
Annual Production rate	2.8 Mt of K62 grade potash (98% KCl)
Construction Start Date	Q2 2014
Mine Start up	Q1 2017
Lifespan of Project	50 years +

A summary of the mineral reserve estimate can be found below:

Member	**In-Place KCl (MMT)**[1]	**KCl Reserves (MMT)**[2]
Patience Lake		
Proven	20.77	18.65
Probable	82.17	70.67
Belle Blaine		
Proven	17.35	15.58
Probable	66.36	57.07
Total Proven Reserves	38.13	34.23
Total Probable Reserves	148.54	127.74
Proven and Probable Reserves	186.66	161.96
[1]*MMT = million tonnes; based on cavern tonnages minus 15% cavern recovery loss*		
[2]*Reserves account for unknown anomalies (5% for proven and 9% for probable) and plant recovery of 94.5% (including downstream losses). These reserves are based on 100% KCl and do not account for the K_2O of KCl grade of the product actually sold.*		

The mineral reserve estimate was prepared by Agapito Associates Inc. ("AAI") of Grand Junction, under the direction of Qualified Person Dr. Michael P. Hardy P.E., P.Eng. The resource estimate was provided by North Rim Exploration Limited, qualified person Tabetha Stirrett, P.Geo. The complete technical report and associated press releases can be found on SEDAR at www.sedar.com.

Commencement of Environmental Assessment Process

The Company formally initiated the environmental assessment process by submitting a Project Description/Technical Proposal to the Canadian Environmental Assessment Agency and the Saskatchewan Ministry of Environment on December 7, 2012.

The purpose of the Project Description/Technical Proposal is to enable Canada and Saskatchewan to determine if an environmental assessment of the MFN Project is required. Saskatchewan confirmed the need for a provincial environmental assessment pursuant to the Saskatchewan Environmental Assessment Act and the Canadian Environmental Assessment Agency confirmed the need for a federal environmental assessment pursuant to the Canadian Environmental Assessment Act, 2012 ("CEAA 2012").

An amendment to the to the Regulations Designating Physical Activities under the Canadian Environmental Assessment Act was proposed in April and is expected to be approved by July 2013 that would remove potash projects from the list of designated projects for which an environmental assessment would be required under CEAA. While an environmental assessment under the direction of the Canadian Environmental Assessment Agency would no longer be required, Aboriginal Affairs and Northern Development Canada (AANDC) will still be responsible for determining whether or not the project is likely to have any significant adverse environmental effects, as required by section 67 of CEAA 2012. Any other federal authority that exercises any power or performs any duty or function that permits the project to be carried out in whole or in part will have similar responsibilities. For example, these other federal authorities might include the Canadian Transportation Agency and Natural Resources Canada for rail infrastructure and explosives storage that may be required during construction.

Saskatchewan will lead the environmental assessment process. It is anticipated that the federal authorities will use the Environmental Impact Statement (EIS) submitted to Saskatchewan to support their determination pursuant to CEAA 2012. The Company will submit Terms of Reference for the Saskatchewan environmental assessment (supplemented with additional material to comply with federal environmental assessment requirements) in May.

The Company aims to prepare and submit a coordinated Environmental Impact Statement to Saskatchewan and Canada by the third quarter of 2013.

Ochapowace and Chacachas Properties

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.

On May 31, 2012 the Company received the results of a successful Mineral Rights sub-surface Designation vote in regard to the designation of Potash and other minerals for Home Reserve, TLE reserve and pre-reserve Ochapowace lands. Approximately 50,000 acres comprise these various land categories.

Spar Property

The Spar property is located just north of Saskatoon on provincial lands and is approximately 91,550 acres in size. The KP441 claim (which is part of the Spar property) has an existing NI 43-101 resource and the Company continues to see value in the claim, however no significant work is presently contemplated as the Company is focusing its resources on the development of the MFN Project.

Investment

During 2010, the Company, together with five First Nations partners completed a series of transactions ("the Sundance transactions") with Sundance Energy Corporation, ("Sundance") that resulted in the Company receiving a total of 10,600,000 common shares of Sundance.

Sundance's closing share price on March 31, 2013 was $0.03 per share (December 31, 2012 - $0.04 per share). During the three months ended March 31, 2013 the Company recorded an impairment loss of $106,000.

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, 2013.

	Three months ended			
	March 31 2013 ($)	**December 31 2012 ($)**	**September 30 2012 ($)**	**June 30 2012 ($)**
Total revenue	-	-	-	-
Net loss	(1,445,931)	(1,025,645)	(3,131,672)	(1,036,288)
Net loss per share (basic and diluted) [1]	(0.01)	(0.01)	(0.01)	(0.00)
Deferred exploration expenditures and acquisition costs	1,288,053	3,070,142	1,207,311	953,868
Total assets	36,851,714	31,259,673	29,405,290	31,488,289

	March 31 2012 ($)	December 31 2011 ($)	September 30 2011 ($)	June 30 2011 ($)
Total revenue	-	-	-	-
Net loss	(996,451)	(1,031,576)	(1,236,236)	(872,782)
Net loss per share (basic and diluted) [1]	(0.00)	(0.01)	(0.00)	(0.00)
Deferred exploration expenditures and acquisition costs	751,131	2,808,611	1,752,158	526,746
Total assets	32,692,694	32,557,646	28,421,576	30,160,500

(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, 2012 the Company recorded an impairment charge of $1,696,000 with respect to its investment in Sundance and a $409,582 write off of mineral property interests relating to certain claims of the Spar property. The remaining $165,969 write off relating to the Spar property was recorded during the quarter ended December 31, 2012.

The Company's reported losses included share-based payments of $324,825, $9,092, $90,741, $242,224, $103,634, $149,493, $431,796 and $58,246 in each of the respective quarters reported on in the table from the quarter ended March 31, 2013 to the quarter ended June 30, 2011.

During the quarters ended September 30, 2011 and December 31, 2011, the increase in deferred exploration expenditures reflects drilling programs completed on the MFN Project during those periods. During the quarters ended December 31, 2012 and September 30, 2012, the increase in deferred exploration expenditures reflects a 3D seismic program and the PFS on the MFN Project.

Results of Operations

During the three months ended March 31, 2013, the Company reported a net loss of $1,445,931 or $0.01 loss per share (2012 - net loss $996,451 or $0.00 loss per share). Operating activities consumed $1,187,905 of cash flow before working capital adjustments. Cash requirements for investing activities totaled $1,170,462, virtually all for deferred exploration expenditures on the Company's potash mineral prospects.

	2013 ($)	2012 ($)
General and administrative expenses	(1,089,301)	(917,747)
Impairment on investment	(106,000)	-
Share-based payments	(324,825)	(103,634)
Deferred income tax recovery	350,000	9,000
Interest earned	13,702	15,930
Interest and accretion on convertible debt	(289,507)	-
Net loss for the period	(1,445,931)	(996,451)

With respect to general and administrative expenses, the 2013 expenditures were generally higher than those of 2012 primarily because of the Company's increasingly advanced state of operational development compared to that of the prior year. The most significant period over period variances in expenses were with respect to First Nation consulting and First Nation development and designation fees as well as legal and audit costs:

<u>Aggregate First Nation relations - $298,387 (2012 - $219,642)</u>
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 increased in connection with the payment of development fees to the MFN.

<u>Legal and audit - $122,779 (2012 - $35,235)</u>
The expense has increased due to the amount of legal expenses incurred to support the wider range of initiatives the Company is undertaking to advance the development of the MFN project.

The Company recognized an impairment charge with respect to the investment in Sundance of $106,000 (2012 - $nil).

Share-based payments expense of $324,825 (2012 - $103,634) was recorded based on 2,950,000 (2012 – 2,000,000) stock options granted during the period and on the vesting terms of those stock options as well as vesting of previously granted stock options.

The Company recognized a deferred income tax recovery of $350,000 (2012 – $9,000) which arose in connection with the Company’s accounting procedures for the issuance of convertible debt and flow-through shares respectively.

Interest and accretion of $289,507 (2012 - $nil) were recognized in relation to the convertible debentures.

Capital Expenditures

During the three months ended March 31, 2013, the Company incurred deferred exploration expenditures of $1,288,053 (2012 - $606,971) which were all related to the MFN Project.

Financing Activities

On April, 2013, the Company closed a non-brokered private placement of 7,950,000 common shares at $0.34 per common shares for gross proceeds of $2,703,000.

On January 14, 2013 the Company issued convertible debentures for the principal sum of $7,000,000. The convertible debentures bear interest at 5% and are repayable in 2 years from the date of issue or can be converted into shares at the holder’s option at a rate of $0.25 per convertible debenture share. The convertible debentures may be prepaid in whole or in part by the Company by giving 60 days prior written notice, provided that the volume weighted average trading price of the Company’s common shares for the 20 consecutive trading days ending on the date that is five days prior to the date such written notice is given is greater than $0.50 per common share.

During the three months ended March 31, 2012, the Company received $1,226,972 pursuant to the exercise of 4,512,220 warrants and 1,000,000 stock options.

Liquidity and Capital Resources

As at March 31, 2013, the Company had a working capital of $3,832,083, compared to working capital deficit of $343,099 as at December 31, 2012. The Company's working capital was augmented subsequent to March 31, 2013 with the completion of a private placement of common shares for gross proceeds of $2,703,000.

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. Management has concluded that as at the date of this report, the Company will require additional funding in order to cover its general and administrative expenses for the next 12 months plus carry out its planned feasibility study. As part of its ongoing strategic plan the Company is exploring alternate financing opportunities including equity financings, debt financings and strategic partner arrangements.

Related Party Transactions

During the three months ended March 31, 2013 and 2012, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or in which they were significant shareholders:

	2012 ($)	**2011 ($)**
Corporate development consultants	152,000	-
Management compensation	49,216	50,844
Legal fees	-	2,413

Included in accounts payable and accrued liabilities as at March 31, 2013 was $80,465 (2012 - $30,748) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders on amounts owing that are unsecured, non-interest bearing and due on demand.

A director of the Company holds $7,500,000 of the total $9,500,000 convertible debentures with accrued interest of $94,178 as at March 31, 2013.

Key management includes the directors, the Chief Executive Officer and the Chief Financial Officer. Compensation paid or payable to key management for services provided during the three months ended March 31, 2013 and 2012 was as follows:

	2013 ($)	**2012 ($)**
Management compensation	87,000	84,000
Share-based payments	82,973	44,606

Financial Instruments

The Company's financial instruments consist of cash, deposits, investment, accounts payable and accrued liabilities and convertible debentures. All of the Company's cash is held through a major Canadian chartered bank. A 10% change in the fair value of Sundance shares would result in a $31,000 change in the reported value of the investment.

Outstanding Share Data

The following table discloses the Company's share capital structure as at May 24 2013, 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: 286,159,798

c) Fully diluted common shares:

Type of Security	Number	Exercise Price	Expiry Date
Stock options	100,000	$0.26	September 1, 2013
Stock options	200,000	$0.30	April 28, 2018
Stock options	8,750,000	$0.17	July 13, 2019
Stock options	1,000,000	$0.25	September 16, 2019
Stock options	6,350,000	$0.15	July 13, 2020
Stock options	4,875,000	$0.26	September 1, 2021
Stock options	500,000	$0.45	February 17, 2022
Stock options	500,000	$0.30	April 24, 2022
Stock options	2,600,000	$0.30	June 28, 2022
Stock options	2,650,000	$0.25	January 9, 2023
Stock options	275,000	$0.28	March 25, 2023
	27,800,000		
Share purchase warrants	400,000	$0.26	February 1, 2014
Share purchase warrants	200,000	$0.225	October 28, 2014
Share purchase warrants	6,470,000	$0.35	December 9, 2014
	7,070,000		
Convertible debenture	10,000,000	$0.25	November 28, 2014
Convertible debenture	28,000,000	$0.25	January 14, 2015
	38,000,000		

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, 2013 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 2013 will be as follows:

- Complete a feasibility study 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.

- Continue the environmental baseline studies on the MFN Project, which are a key element in the Environmental Impact Social Assessment.

- Subject to financing, complete the exploration hole to test the grade of the Ochapowace/Chacachas property.

Other Information

Additional information related to the Company including its recently 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.

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 May 24 2013.
- 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.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

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".