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

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the three and six months ended June 30, 2014 has been prepared as of August 26, 2014. It should be read in conjunction with the condensed interim consolidated financial statement of Encanto Potash Corp (the "Company") for the three and six months ended June 30, 2014 as well as the audited annual consolidated financial statements for the year ended December 31, 2013 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, and in February of 2013 it completed a pre-feasibility study in respect thereof. The Company is currently working on a feasibility study on the Muskowekwan First Nation Project which is anticipated to be completed in the first half of 2015. In addition to its flagship property, the Company holds an interest in two other potash properties in Saskatchewan, namely the Ochapowace and Chacachas First Nation Property, in which it holds a 20% interest, and the Spar Property, in which it holds a 100% interest.

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". The Company also trades on the OTCQX under the trading symbol "ENCTF".

Negotiations are continuing on a multi-year off-take agreement between the Company and a consortium of Indian fertilizer companies, some of which are owned by the government of India. These discussions have been advanced with the election of the new government in India. While there may be fluctuations of potash prices, the Company remains confident that a long-term off-take agreement will ensure the construction and profitability of the MFN Project. As of yet no binding agreement has been reached or executed and there is no assurance an agreement will be reached or executed.

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.

The Company is currently working on a feasibility study (the "**FS**") on the MFN Project, which is scheduled to be completed in the first half of 2015. The feasibility team consists of Novopro Projects as the study lead and SNC Lavalin and Agapito Associates.

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 expected to be sufficient to operate a solution mine at the MFN Project at its current full planned capacity. The company has identified two other potential sources of water and is actively pursuing one of them. This new source of water has the potential to supply the necessary water for the plant while lowering the capital expenditure requirement at the same time.

The MFN Project was accepted by the Federal government under the First Nations Commercial and Industrial Development Act (the "**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 MFN are having ongoing 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 Federal government 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.

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 has the potential to generate approximately 1,000 construction jobs for the development of the mine and nearly 340 jobs once it is fully operational.

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 the Federal government and Province of Saskatchewan to determine if an environmental assessment of the MFN Project is required. The regulator in the Province of 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**"), notwithstanding the proposed amendments.

The Company submitted Terms of Reference for the Saskatchewan environmental assessment (supplemented with additional material to comply with federal environmental assessment requirements) in July of 2013.

After receiving comments from the Federal government and the Province of Saskatchewan, the Company prepared and submitted a coordinated Environmental Impact Statement on August 2, 2013.

Amendments to the Regulations Designating Physical Activities under CEAA 2012 have been finalized and came into force on October 24, 2013. The amended Regulations do not include potash as a type designated activity and therefore there is no longer a requirement to conduct an environmental assessment under CEAA 2012 on the MFN project. While an environmental assessment under the direction of CEAA 2012 is no longer required, any necessary federal regulatory permits, authorizations and/or licences remain a requirement. For example, Aboriginal Affairs and Northern Development Canada 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.

The requirements of the Province of Saskatchewan have remained in place, such that the MFN Project continues to require an approved environmental impact statement. The Saskatchewan Ministry of Environment reviewed the submitted environmental impact statement and provided technical review comments on October 11, 2013 to the Company. The Company has begun investigations to address these comments and will continue to work towards receiving an environmental approval for 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 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 Hamad Al-Wazzan, a director of the Company, the Company received funding of $1,250,000 to drill a test well on the Ochapowace and Chacachas First Nation Property (to test both the potash and oil and gas potential) and to prepare an NI 43-101 compliant resource report. Pursuant to the Funding Agreement, Mr. Al-Wazzan was granted an 80% interest in the Company's potash rights under the Ochapowace EPA and a 50% working interest in the oil and gas permits and leases on the Ochapowace and Chacachas First Nation Property. The Company granted Mr. Al-Wazzan the right, until October 9, 2015, to put these interests back to the Company and receive shares of the Company equal to the amount of the funds advanced divided by the price at which common shares are issued in a future financing as determined by the Company and Mr. Al-Wazzan, acting reasonably. Subsequent to June 30, 2014, this price was agreed to by the Company and Mr Al-Wazzan to be $0.17. Pursuant to a farmout agreement dated August 9, 2013 between the Company and Sundance Energy Company, the Company has retained a 5% working interest in the oil and gas leases.

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

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 strong 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 may include the calculation of a resource estimate utilizing the well assay information along with the 3D Seismic data which was shot on the property previously.

Spar Property

The Company holds an undivided 100% interest in the Spar Property which is currently comprised of one mineral claim, the KP441 claim, and is subject to a 2% net smelter return royalty. The KP441 claim 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.

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 June 30, 2014.

	Three months ended			
	June 30 2014 ($)	**March 31 2014 ($)**	**December 31 2013 ($)**	**September 30 2013 ($)**
Total revenue	-	-	-	-
Net (loss) income	(1,467,826)	(1,172,957)	325,808	(2,412,892)
Net loss per share (basic and diluted) [1]	(0.00)	(0.00)	(0.00)	(0.01)
Deferred exploration expenditures and acquisition costs	44,633	486,049	4,197,493	1,430,073
Total assets	38,994,375	39,016,730	36,063,389	36,288,422

	June 30 2013 ($)	**March 31 2013 ($)**	**December 31 2012 ($)**	**September 30 2012 ($)**
Total revenue	-	-	-	-
Net income (loss)	(1,782,157)	(1,445,931)	(1,025,645)	(3,131,672)
Net loss per share (basic and diluted) [1]	(0.01)	(0.00)	(0.01)	(0.01)
Deferred exploration expenditures and acquisition costs	2,440,886	1,288,053	3,070,142	1,207,311
Total assets	37,911,344	36,851,714	31,259,673	29,405,290

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

During the quarter ended September 30, 2013 the Company recorded a write down of $1,040,000 of mineral property interests relating to the KP 452 claim.

During the quarter ended September 30, 2012 the Company recorded an impairment charge of $1,696,000 with respect to its investment in Sundance Energy Corporation ("Sundance") and a $409,582 write off of mineral property interests relating to certain small potash claims located in Saskatchewan. An additional $165,969 write off was recorded with respect to another small potash claim during the quarter ended December 31, 2012.

The Company's reported losses included share-based payments of $233,315, $25,570, $207,130, $7,074, $31,850, $324,825, $9,092 and $90,741 in each of the respective quarters reported on in the table from the quarter ended June 30, 2014 to the quarter ended September 30, 2012.

During the quarters ended December 31, 2012 and September 30, 2012, the increase in deferred exploration expenditures reflects a 3D seismic program and work on the PFS on the MFN Project.

Results of Operations

Three months ended June 30, 2014

Business activities in the second quarter of fiscal 2014 focused primarily on work related to the FS for the MFN Project. During the three months ended June 30, 2014, the Company reported a net loss of $1,467,826 or $0.00 loss per share (three months ended June 30, 2013 - net loss $1,782,157 or $0.01 loss per share). Operating activities consumed $1,047,632 of cash flow before working capital adjustments. Cash requirements for investing activities totaled $1,054,979, virtually all for mineral property expenditures. These cash requirements were primarily funded from cash on hand at the beginning of the period, the net proceeds of a prospectus financing offering and trade credit.

	2014 ($)	**2013 ($)**
General and administrative expenses	(957,531)	(1,218,266)
Impairment on investment	-	(212,000)
Share-based payments	(233,315)	(31,850)
Interest earned	-	16,126
Finance expenses on convertible debt and short term loan	(276,980)	(336,167)
Net loss for the period	(1,467,826)	(1,782,157)

With respect to general and administrative expenses, the 2014 expenditures were slightly lower than those of the comparable 2013 period. The most significant variance to the comparable period was with respect to corporate development consultants:

<u>Corporate development consultants - $172,500 (2013 - $263,614)</u>

The expense has decreased in fiscal 2014 due to the Company utilizing fewer consultants as a result of having a tighter focus with respect to assessing domestic and international strategic partnerships for the financing, development and sale of potash production.

Share-based payments expense of $233,315 (2013 - $31,850) was recorded based on the granting of new options and the vesting of previously granted stock options. The prior comparable period the expense was recorded based solely on the vesting of previously granted stock options.

Finance expenses of $276,980 (2013 - $336,167) were recognized in relation to the convertible debentures and the short term loan.

Six months ended June 30, 2014

During the six months ended June 30, 2014, the Company reported a net loss of $2,640,783 or $0.01 loss per share (six months ended June 30, 2013 - net loss $3,228,088 or $0.01 loss per share). Operating activities consumed $2,180,887 of cash flow before working capital adjustments. Cash requirements for investing activities totaled $2,814,437, virtually all for mineral property expenditures.

	2014 ($)	2013 ($)
General and administrative expenses	(1,970,538)	(2,307,567)
Impairment on investment	-	(318,000)
Share-based payments	(258,885)	(356,675)
Deferred income tax recovery	186,675	350,000
Interest earned	-	29,828
Finance expenses on convertible debt and short term loan	(598,035)	(625,674)
Net loss for the period	(2,640,783)	(3,228,088)

With respect to general and administrative expenses, the 2014 expenditures were lower than those of the comparable 2013 period. The most significant variance to the comparable period was with respect to corporate development consultants:

<u>Corporate development consultants - $366,379 (2013 - $571,371)</u>
The expense has decreased in fiscal 2014 due to the Company utilizing fewer consultants as a result of having a tighter focus with respect to assessing domestic and international strategic partnerships for the financing, development and sale of potash production.

The Company recognized an impairment charge with respect to the investment in Sundance of $nil (2013 - $318,000).

Share-based payments expense of $258,885 (2013 - $356,675) was recorded based on 3,730,000 (2013 – 2,925,000) 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 $186,675 (2013 – $350,000) which arose in connection with the Company's accounting procedures for the issuance of flow-through shares and the issuance of convertible debt, respectively.

Finance expenses of $598,035 (2013 - $625,674) were recognized in relation to the convertible debentures and short term loan.

Capital Expenditures

During the six months ended June 30, 2014, the Company incurred deferred exploration expenditures of $530,682 (2013 - $3,728,939) which were mostly all related to the MFN Project. (For more information refer to Schedule 1 in the condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2014.)

	MFN Project		Other		Total	
	2014 ($)	**2013 ($)**	**2014 ($)**	**2013 ($)**	**2014 ($)**	**2013 ($)**
Acquisition costs						
Deferred exploration						
3-D seismic	-	95,065	9,032	62,500	9,032	157,565
Consulting	66,897	53,456	28,353	-	95,250	53,456
Drilling	-	-	113,890	25,748	113,890	25,748
Environmental	-	1,731,098	-	-	-	1,731,098
Feasibility	312,510	1,283,236	-	-	312,510	1,283,236
Pre-feasibility	-	448,859	-	-	-	448,859
Other	-	18,947	-	10,030	-	28,977
	379,407	**3,630,661**	**151,275**	**98,278**	**530,682**	**3,728,939**

Financing Activities

On April 15, 2014, the Company completed a short form prospectus offering of units to raise gross proceeds of $3,650,901 through the issuance of 15,593,600 units at a price of $0.17 per unit and 5,263,100 flow through units at a price of $0.19 per unit. Each unit consists of one common share and one half of one share purchase warrant and each flow through unit consist of one flow through common share and one half of one share purchase warrant. A whole warrant entitles the holder to purchase one common share at a price of $0.30 per share on or before October 15, 2015. The Company issued 834,268 warrants to Agents that entitle the holder to purchase one common share at a price of $0.30 until April 15, 2015.

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

On February 18, 2014, the Company closed a private placement of 3,150,000 units at a price of $0.17 per unit for gross proceeds of $535,000. Each unit consists of one common share and one share purchase warrant, each warrant entitling the holder to purchase one common share at $0.30 until August 18, 2015.

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.

Liquidity and Capital Resources

As at June 30, 2014, the Company had a working capital deficit of $7,745,301 compared to a working capital deficit of $2,169,938 as at December 31, 2013 (excluding the non-cash derivative put option liability and flow-through premium liability). Subsequent to June 30, 2014 the convertible debenture repayment date was extended from January 14, 2015 to January 14, 2016 which will improve the working capital deficit for the short term.

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

Related Party Transactions

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

- Malaspina Consultants Inc., a company owned by Robert McMorran, the Chief Financial Officer;
- Fiore Management & Advisory Corp, a company which Gordon Keep, Chairman of the Board, is Chief Executive Officer
- 8705224 Canada Inc, a company owned by Dr. Simon Desjardins, VP Technical Services & Project Management

During the three and six months ended June 30, 2014 and 2013, 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:

	Three months ended June 30		**Six months ended June 30**	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Management compensation (1)	130,190	140,508	267,096	189,724
Share issuance costs (2)	36,509	-	49,364	-

(1) The charge includes monthly fees paid to Malaspina Consultants Inc., Fiore Management & Advisory Corp., and 8705224 Canada Inc.
(2) The charge includes fees paid to Fiore Management & Advisory Corp.

Included in accounts payable and accrued liabilities as at June 30, 2014 was $36,768 (December 31, 2013 - $42,658) due to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing are unsecured, non-interest bearing and due on demand.

A director of the Company holds $5,000,000 of the total $7,000,000 convertible debentures and is owed $287,206 in accrued interest.

Key management includes the directors, the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer. Compensation paid or payable to key management for services provided during the three and six months ended June 30, 2014 and 2013 was as follows:

	Three months ended June 30		Six months ended June 30	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Management compensation	117,000	117,000	234,000	204,000
Share-based payments	148,590	-	148,590	82,973

Financial instruments

The Company's financial instruments consist of cash, deposits, investment, accounts payable and accrued liabilities, derivative put option liability 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 and loan are designated as other financial liabilities, which are measured at amortized cost. The derivative put option liability is a separate derivative and is classified as FVTPL, which is measured at fair value with changes recorded through profit and loss. The convertible debenture is designated as other financial liabilities, which is measured at amortized cost, using the effective interest rate.

Accounting Standards Issued But Not Yet Effective

The IASB has undertaken a three-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, with *IFRS 9, Financial Instruments*. In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. In November 2013, the IASB issued the third phase of IFRS 9, which details the new general hedge accounting model. Hedge accounting remains optional and the new model is intended to allow companies to better reflect risk management activities in the financial statements and provide more opportunities to apply hedge accounting. The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized; however, in its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for annual periods beginning on or after January 1, 2018. The full impact of the standard on the Company's financial statements will not be known until the project is complete.

Outstanding Share Data

The following table discloses the Company's share capital structure as at August 26, 2014, 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: 330,273,409

c) Fully diluted common shares:

Type of Security	Number	Exercise Price	Expiry Date
Stock options	500,000	$0.15	December 31, 2014
Stock options	1,000,000	$0.17	December 31, 2014
Stock options	75,000	$0.25	December 31, 2014
Stock options	400,000	$0.26	December 31, 2014
Stock options	200,000	$0.17*	April 28, 2018
Stock options	7,750,000	$0.17	July 13, 2019
Stock options	1,000,000	$0.25	September 16, 2019
Stock options	5,850,000	$0.15	July 13, 2020
Stock options	3,950,000	$0.26	September 1, 2021
Stock options	525,000	$0.17*	September 1, 2021
Stock options	500,000	$0.17*	April 24, 2022
Stock options	2,400,000	$0.30	June 28, 2022
Stock options	200,000	$0.17*	June 28, 2022
Stock options	1,600,000	$0.25	January 9, 2023
Stock options	970,000	$0.17*	January 9, 2023
Stock options	275,000	$0.17*	March 25, 2023
Stock options	100,000	$0.20	October 18, 2023
Stock options	2,000,000	$0.20	November 20, 2023
Stock options	750,000	$0.20	February 19, 2024
Stock options	2,980,000	$0.17	April 28, 2024
	33,025,000		
Share purchase warrants	200,000	$0.225	October 28, 2014
Share purchase warrants	6,470,000	$0.35	December 9, 2014
Share purchase warrants	1,000,000	$0.20	February 19, 2015
Share purchase warrants	834,268	$0.30	April 15, 2015
Share purchase warrants	5,302,356	$0.30	June 4, 2015
Share purchase warrants	3,150,000	$0.30	August 18, 2015
Share purchase warrants	10,428,350	$0.30	October 15, 2015
	27,384,974		
Convertible debenture	**28,000,000**	$0.25	January 14, 2015
Put option	**7,352,941**	$0.17	October 8, 2015
TOTAL	**95,762,915**		

* The options were re-priced to $0.17 during the three months ended June 30, 2014.

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the three and six months ended June 30, 2014 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 2014 will be as follows:

- Complete the FS on the MFN Project.

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

Other Information

Additional information related to the Company including its filed National Instrument 43-101 Technical Report is available for viewing on SEDAR at www.sedar.com 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 August 26, 2014.
- 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".