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, 2012 has been prepared as of April 17, 2013. It should be read in conjunction with the audited consolidated financial statements of Encanto Potash Corp. (the "Company") for the year ended December 31, 2012.

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 KP441 and KP452 claims.

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 Muskowekwan First Nation potash mine project (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 will begin 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 Muriate of 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 was advised that India's Rashtriya Chemicals and Fertilizers Ltd. ("RCF") announced on the Indian Government's website a tender process aimed at selecting an advisor to review and advise on an off-take agreement proposal with the Company for 2 million tonnes of potash purchases by a consortium led by RCF. The announced tender process is believed to be part of the Indian government's regulatory requirements to have an independent third party advisor review a proposed off-take agreement. Although the Company has had on-going negotiations with RCF and members of the consortium, no binding agreement has been reached or executed and there is no assurance an agreement will be reached or executed.

The Company raised $2,500,000 during the year ended December 31, 2012 and $7,000,000 subsequently on the issuance of two 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. In addition, subsequent to December 31, 2012, 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.

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 its joint venture partners with major support for jobs and training. As a result of the MFN vote held on February 25, 2012, the Company increased the Muskowekwan land position to 61,114 total acres from approximately15,500 acres.

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 will begin 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. First Potash Ventures, a joint partnership between the Company and MRL, is working toward developing a mine on the MFN 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 revenue 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 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").

The Company aims to prepare and submit both Environmental Assessments by the third quarter of 2013.

Site Selection Survey

The Company completed a site selection survey, including a drilling program that verified the suitability of the preferred plant site for the MFN Project. The preferred location of the plant site was based on the following factors:

- Muskowekwan First Nation partner's traditional land use and heritage sites
- Vegetation, forest areas or wildlife
- Proximity to the Muskowekwan potash resource and highest K_2O content
- Proximity to rail infrastructure
- Proximity to road infrastructure
- Proximity to utility infrastructure
- Favourable topography and soil characteristics
- Allowance for potential major expansion

A drilling program provided the technical data in support of determining the suitability of the site for the key tailings management area. The finalizing of the plant site location is a key step as the Company moves closer to establishing a mine.

A number of key milestones with respect to the site selection process have been met including:

- A preliminary plant layout has been developed for the railway spur line/loop design. This design has been developed in consultation with the proposed rail company.
- Cost estimates were obtained for the purchase and rental of rail cars.
- Management, engineering consultants and the railway company representatives visited two ports in Vancouver.
- 3D modeling of the compaction plant and load-out area has been completed.
- Fluid bed dryers, standard product cooler, conditioning drums and railcar indexer requirements have been drafted.
- The evaporation and crystallization study has commenced.
- Main process equipment requests for quotation (RFQ) have begun.
- Environmental Assessment, Tailings Management Area, Surface Water Sourcing and Site Selection Assistance studies are ongoing.

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 and KP452 Claim

The Spar property is located just north of Saskatoon on provincial lands and is approximately 91,550 acres in size. The Company has decided to only renew the permits to the KP452 claim and the KP441 claim (which forms part of the Spar property). The Company wrote off $575,551of capitalized permitting costs for the claims that were not renewed.

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.

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.

In the event that the Company can come to terms with respect to oil and gas rights held by any of the three remaining First Nations that are party to the Sundance transactions, and can assign such oil and gas rights to Sundance on terms comparable to those secured from the two First Nations who have come to terms, Sundance has committed to issue to the Company up to an additional 7,000,000 Sundance shares and pay $300,000 cash.

The Company believes it will be able to come to terms with respect to oil and gas rights held by one of the three remaining First Nations that are party to the Sundance transaction. This would result in the Company receiving 1,400,000 Sundance shares and $100,000 in cash.

Sundance's closing share price on December 31, 2012 was $0.04 per share (2011 - $0.19 per share). During the year ended December 31, 2012 the Company determined the decline in fair value represented impairment and accordingly, recognized an impairment loss of $1,696,000.

Selected Annual Information

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended December 31, 2012, 2011 and 2010:

	2012 ($)	2011 ($)	2010[1] ($)
Total revenues	-	-	-
Net loss	(6,190,056)	(4,836,304)	(3,718,362)
Net loss per share (basic and diluted) [2]	(0.02)	(0.02)	(0.02)
Total assets	31,259,673	32,557,646	30,454,141
Acquisition cost of mineral properties	144,160	100,000	5,577,144
Deferred exploration expenditures	5,838,292	5,240,968	6,236,211
Long term debt, gross	2,500,000	-	-
Dividends declared	-	-	-

(1) Comparative information for 2010 has been revised from the information that was previously disclosed to reflect the application of IFRS accounting standards.

(2) 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.

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, 2012.

	Three months ended			
	December 31 2012 ($)	September 30 2012 ($)	June 30 2012 ($)	March 31 2012 ($)
Total revenue	-	-	-	-
Net loss	(1,025,645)	(3,131,672)	(1,036,288)	(996,451)
Net loss per share (basic and diluted) [1]	(0.01)	(0.01)	(0.00)	(0.00)
Deferred exploration expenditures and acquisition costs	3,070,142	1,207,311	953,868	751,131
Total assets	31,259,673	29,405,290	31,488,289	32,692,694

	December 31 2011 ($)	September 30 2011 ($)	June 30 2011 ($)	March 31 2011 ($)
Total revenue	-	-	-	-
Net loss	(1,031,576)	(1,236,236)	(872,782)	(1,695,710)
Net loss per share (basic and diluted) [1]	(0.01)	(0.00)	(0.00)	(0.01)
Deferred exploration expenditures and acquisition costs	2,808,611	1,752,158	526,746	253,453
Total assets	32,557,646	28,421,576	30,160,500	29,535,600

(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 $9,092, $90,741, $242,224, $103,634, $149,493, $431,796, $58,246 and $54,342 in each of the respective quarters reported on in the table from the quarter ended December 31, 2012 to the quarter ended March 31, 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

Business activities in fiscal 2012 focused primarily on the continued development of the MFN Project through a 3D seismic program and the PFS. During the year ended December 31, 2012, the Company reported a net loss of $6,190,056 or $0.02 loss per share (2011 - net loss $4,836,304 or $0.02 loss per share). Operating activities consumed $3,665,599 before working capital adjustments. Cash requirements for investing activities totaled $6,078,099 which was all virtually related to deferred exploration expenditures. These cash requirements were primarily funded from cash on hand at the beginning of the year and from the proceeds of the convertible debenture offering completed during the year.

	2012 ($)	**2011 ($)**
General and administrative expenses	(3,722,434)	(2,979,429)
Impairment on investment	(1,696,000)	-
Write off of mineral property interests	(575,551)	-
Share-based payments	(445,691)	(693,877)
Deferred income tax recovery (expense)	230,000	(1,209,668)
Interest earned	44,570	46,670
Interest and accretion on convertible debt	(24,950)	-
Net loss for the year	(6,190,056)	(4,836,304)

With respect to general and administrative expenses, the 2012 expenditures were generally higher than those of 2011 primarily because of the Company's increasingly advanced state of operational development compared to that of the prior year. The most significant year over year variances in expenses were with respect to corporate development consultants, First Nation consulting and First Nation development and designation:

Corporate development consultants - $1,092,349 (2011 - $228,241)
The expense has increased due to the increased number and increased scope of consulting agreements entered into in connection with the Company assessing domestic and

international strategic partnerships for the financing, development and sale of potash production from its MFN Project including an initiative with the Indian Government.

Aggregate First Nation relations - $882,296 (2011 - $1,222,381)
Since the commencement of the Company's business plan it has retained the services of consultants and advisors who are conversant with First Nation issues and have stature in the First Nation communities. This expense has decreased in connection with lower designation vote activity as certain of the designation votes had been completed early in the year ended December 31, 2012.

The Company recognized an impairment charge with respect to the investment in Sundance of $1,696,000 (2011 - $nil) and wrote off $575,551 (2011 - $nil) of mineral property interests relating to certain claims of the Spar property during the year ended December 31, 2012.

Share-based payments expense of $455,691 (2011 - $693,877) was recorded based on 5,100,000 (2011 – 5,175,000) stock options granted during the year and on the vesting terms of those stock options as well as vesting of previously granted stock options. The weighted average fair value of the options granted during the year ended December 31, 2012 was $0.06 (2011 - $0.14).

The Company recognized a deferred income tax recovery of $230,000 (2011 – expense of $1,209,668) which arose in connection with the Company's accounting procedures for flow-through shares and the issuance of convertible debt.

Interest and accretion of $24,950 (2011 - $nil) were recognized in the year ended December 31, 2012 in relation to the convertible debenture offering that was completed in the year.

Fourth Quarter

During the fourth quarter of 2012 the Company reported a net loss of $1,025,645 as compared to a net loss of $1,031,576 during the same period in 2011. Capital expenditures were consistent in the fourth quarter of 2012 ($3,070,142) as compared to 2011 ($2,808,611).

Capital Expenditures

During the year ended December 31, 2012, the Company incurred deferred exploration expenditures of $5,982,452 (2011 - $5,340,968) which were substantially all related to the MFN Project, including non-cash acquisition expenditures of $144,160 (2011 - $nil).

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 and November 28, 2012, the Company issued convertible debentures for the principal sums of $7,000,000 and $2,500,000 respectively. 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.

In addition, during the year ended December 31, 2012, the Company received $1,705,528 (2011 - $1,983,032) pursuant to the exercise of 6,367,500 (2011 – 9,023,155) warrants and 1,650,000 (2011 – 605,000) stock options.

In December 2011, the Company closed a non-brokered private placement with MFN for 12,940,000 units consisting of one common share and one-half of one share purchase warrant at a price of $0.23 per unit for aggregate gross proceeds of $2,976,200. Each whole warrant entitles MFN to purchase one additional common share at a price of $0.35 per share up to and including December 9, 2014.

Also in December 2011, the Company closed a brokered private placement for 5,000,000 flow-through shares at a price of $0.40 per share to result in aggregate gross proceeds of $2,000,000. In consideration for completing the issue, a finder's fee of $100,000 cash was paid.

Liquidity and Capital Resources

As at December 31, 2012, the Company had a working capital deficit of $343,099, compared to working capital of $5,630,611 (excluding the non-cash flow-through premium liability) as at December 31, 2011. The Company's working capital was augmented subsequent to December 31, 2012 with the completion of a private placement of common shares and the issuance of convertible debentures for total gross proceeds of $9,703,000. As at the date of this report the Company has approximately $6 million of working capital including $6.5 million of cash.

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 years ended December 31, 2012 and 2011, 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 ($)	**2011 ($)**
Management compensation	196,204	368,116
Legal fees	2,413	46,908
First Nation consulting	-	126,000

Included in accounts payable and accrued liabilities as at December 31, 2012 was $30,748 (2011 - $40,408) 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.

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 years ended December 31, 2012 and 2011 was as follows:

	2012 ($)	**2011 ($)**
Management compensation	348,000	283,724
Share-based payments	98,220	472,009

Financial Instruments

The Company's financial instruments consist of cash, deposits, investment, accounts payable and accrued liabilities and convertible debenture. The Company designated its cash and deposits as loans and receivables which are measured at amortized cost. The investment is designated as available-for-sale, which is measured at fair value. The accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost. The convertible debenture is designated as other financial liabilities, which is measured at amortized cost, using the effective interest rate.

Fair value of financial instruments

The Company classifies the fair value of its financial instruments according to a fair value hierarchy based on the amount of observable inputs used to value the instrument as follows:

- Level 1 - Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 - Values based on prices or valuation techniques that are not based on observable market data.

The value of the investment has been assessed based on the fair value hierarchy described above. The investment is classified as level 1.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. Discussions of risks associated with financial assets and liabilities are summarized below:

Foreign exchange risk

As at December 31, 2012, all of the Company's cash was held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

Interest rate risk

When the Company holds surplus funds, the Company's policy is to invest in guaranteed investment certificates ("GIC's") that are highly liquid. As such, to the extent that the Company has surplus funds invested in GIC's it becomes exposed to nominal interest rate risk. As at December 31, 2012, the Company did not have any surplus funds invested in GIC's. The Company holds a convertible debt that bears interest. A 10% increase in the interest rate would result in a $10,000 increase to net loss.

Equity price risk
Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company is exposed to this risk through its equity holdings. The available-for-sale investment in the common shares of Sundance is monitored by Management with decisions on sale taken at Board level. A 10% decrease in the fair value of Sundance shares would result in a $42,400 decrease in equity.

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, 2012, the Company had a working capital deficiency of $343,099 which is not sufficient to cover funding requirements for operations as currently planned for at least the next twelve months. Subsequent to December 31, 2012 the Company completed a convertible debenture offering for gross proceeds of $7 million and a private placement for gross proceeds of $2,703,000.

Accounting standards issued but not yet effective

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has completed its assessment of the impact that the new and amended standards will have on its financial statements and determined the impact will not be significant. The following is a brief summary of the principal new standards:

IFRS 9 – Financial Instruments
IFRS 9, *Financial Instruments,* was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This new standard is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted.

IFRS 10 – Consolidation
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from

its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles, and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1, Presentation of Financial Statements

IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

Outstanding Share Data

The following table discloses the Company's share capital structure as at April 17 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	200,000	$0.27	April 28, 2013
Stock options	100,000	$0.26	September 1, 2013
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 consolidated financial statements for the year ended December 31, 2012 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 April 17 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".