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, 2013 has been prepared as of April 28, 2014. It should be read in conjunction with the audited annual consolidated financial statements of Encanto Potash Corp. (the "Company") for the year ended December 31, 2013.

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 quarter 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".

Recent Highlights

On April 16, 2014 the Company announced that all six ballots for the Muskowekwan First Nation Surface Designation vote have passed with a large majority. There were six separate ballots including those to allow for the construction and operation of a potash solution mine on both reserve land and pre-reserve land and also leasing the surface of the Treaty Land Entitlement Reserve Land and Home Reserve land to support development on Reserve. Ballot results each closed with a strong majority in favour of continuing to develop the first producing potash mine on First Nation land.

On April 15, 2014 and February 18, 2014 the Company completed a short form prospectus unit offering and private placement of units respectively for gross proceeds of $4,185,901. The proceeds are being used to fund a feasibility study on the Muskowekwan First Nation Project and for general working capital purposes.

In January 2014, the Company completed the drilling of a new test well on the Ochapowace and Chacachas First Nation Property. The well was drilled to a depth of 1,307 meters and intersected the Belle Plaine and Esterhazy potash members in the Prairie Evaporite formation.

The Company continues to advance its strategic objectives with key Federal and Provincial Government Agencies and Ministries.

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. 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 2015. SNC-Lavalin has been added to the development team for the FS for 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 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 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, for two years, 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 lesser of $0.34 per share and the price at which common shares are issued in a future financing as determined by the Company and Mr. Al-Wazzan, acting reasonably, subject to TSXV approval. 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.

On November 19, 2013, the Company received a refund of $240,000 from the Government of Saskatchewan related to previously paid deficiency deposits on the Spar property.

During the year ended December 31, 2013 the Company did not renew the KP 452 permit and has written off acquisition and permitting costs of $1,040,000 relating to the permit.

Selected Annual Information

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended December 31, 2013, 2012 and 2011:

	2013 ($)	**2012 ($)**	**2011 ($)**
Total revenues	-	-	-
Net loss	(5,315,172)	(6,190,056)	(4,836,304)
Net loss per share (basic and diluted) (1)	(0.02)	(0.02)	(0.02)
Total assets	39,324,389	31,259,673	32,557,646
Acquisition cost of mineral properties	-	144,160	100,000
Deferred exploration expenditures	9,356,505	6,413,843	5,240,968
Long term debt, gross	7,000,000	2,500,000	-
Dividends declared	-	-	-

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

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, 2013.

Three months ended				
	December 31 2013 ($)	**September 30 2013 ($)**	**June 30 2013 ($)**	**March 31 2013 ($)**
Total revenue	-	-	-	-
Net income (loss)	325,808	(2,412,892)	(1,782,157)	(1,445,931)
Net loss per share (basic and diluted) [(1)]	0.00	(0.01)	(0.01)	(0.00)
Deferred exploration expenditures and acquisition costs	4,197,493	1,430,073	2,440,886	1,288,053
Total assets	36,063,389	36,288,422	37,911,344	36,851,714

	December 31 2012 ($)	**September 30 2012 ($)**	**June 30 2012 ($)**	**March 31 2012 ($)**
Total revenue	-	-	-	-
Net income (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

[(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 $207,130, $7,074, $31,850, $324,825, $9,092, $90,741, $242,224 and $103,634 in each of the respective quarters reported on in the table from the quarter ended December 31, 2013 to the quarter ended March 31, 2012.

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 2013 focused primarily on work related to the FS for the MFN Project. During the year ended December 31, 2013, the Company reported a net loss of $5,315,172 or $0.02 loss per share (2012 - $6,190,056 or $0.02 loss per share). Operating activities consumed $4,773,859 before working capital adjustments. Cash requirements for investing activities totaled $7,420,238 which was all virtually related to deferred exploration expenditures. These cash requirements were primarily funded from a private placement and from the proceeds of a convertible debenture offering completed during the year.

	2013 ($)	**2012 ($)**
General and administrative expenses	(4,362,153)	(3,722,434)
Impairment on investment	(360,400)	(1,696,000)
Write off of mineral property interests	(1,040,000)	(575,551)
Share-based payments	(570,879)	(445,691)
Deferred income tax recovery	2,557,001	230,000
Interest earned	38,230	44,570
Finance expenses on convertible debt	(1,576,971)	(24,950)
Net loss for the year	(5,315,172)	(6,190,056)

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 general and administrative expenses were with respect to corporate development consultants, First Nation consulting, legal and audit costs and management compensation:

<u>Corporate development consultants - $1,027,814 (2012 - $1,092,349)</u>
The expense has remained consistent with prior years and relates to 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.

<u>First Nation consulting - $1,001,005 (2012 - $785,218)</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 increased consulting services being provided.

<u>Legal and audit - $571,241 (2012 - $310,463)</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.

Management compensation - $837,474 (2012 - $556,204)
Management compensation includes fees paid to the Company's senior executives, as well as the cost to cover administrative matters associated with the corporate secretarial function. The increase represents an increase in the number of senior management personnel.

The Company recognized an impairment charge with respect to the investment in Sundance of $360,400 (2012 - $1,696,000) and wrote off $1,040,000 (2012 - $575,551) of mineral property interests relating to the KP 452 claim during the year ended December 31, 2013.

Share-based payments expense of $570,879 (2012 - $455,691) was recorded based on 5,025,000 (2012 – 5,100,000) 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, 2013 was $0.09 (2011 - $0.06).

The Company recognized a deferred income tax recovery of $2,557,001 (2012 - $230,000) which arose as a result of the Company having enough non capital tax losses available to offset the deferred tax liability and the Company's accounting procedures for the issuance of convertible debt, respectively.

Finance expenses of $1,576,971 (2012 - $24,950) were recognized in the year in relation to the convertible debentures.

Fourth Quarter

During the fourth quarter of 2013 the Company reported net income of $325,808 as compared to a net loss of $1,025,645 during the same period in 2012.

Capital expenditures were higher in the fourth quarter of 2013 ($4,197,493) as compared to 2012 ($3,070,142) due to the drilling on the Ochapawace First Nation property.

Capital Expenditures

During the year ended December 31, 2013, the Company incurred deferred exploration expenditures of $9,356,505 (2012 - $6,413,843). The majority of the expenditures relate to the MFN project and the Chacachas / Ochapawace First Nation property. (For more information refer to Schedule 1 in the audited annual consolidated financial statements of the Company.)

	MFN Project		Other		Total	
	2013 ($)	**2012 ($)**	**2013 ($)**	**2013 ($)**	**2013 ($)**	**2012 ($)**
Acquisition costs	-	144,160	-	-	-	144,160
Deferred exploration						
3-D seismic	97,702	1,709,121	122,542	-	220,244	1,709,121
Drilling	-	-	1,262,289	-	1,262,289	
Environmental	2,022,366	1,674,909	-	-	2,022,366	1,674,909
Feasibility	4,992,992	-	-	-	4,992,992	-
Pre-feasibility	448,859	2,180,811	-	-	448,859	2,180,811
Other	260,504	565,570	149,252	283,432	409,756	849,002
	7,822,423	**6,274,571**	**1,534,083**	**283,432**	**9,356,506**	**6,413,843**

MFN Project

On the MFN Project, the Company completed a 3D seismic program, completed a PFS and has commenced working on a FS. The Company continues to incur costs related to the environmental planning required to move the MFN project forward.

Other

On the Chacachas / Ochapawace prospects during the year ended December 31, 2013, the Company commenced drilling of a test well and a 3-D seismic program.

On the Spar property, during the year ended December 31, 2013 and 2012 the Company incurred permitting costs only.

Financing Activities

i) Subsequent to December 31, 2013 the Company completed the following financing activities:

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 February 20, 2014 the Company closed a short term loan of $750,000, for a term of 60 days which bears interest at the rate of 15% per annum. The lender also received warrants entitling the purchase of up to 1,000,000 common shares at a price of $0.20 per share on or before February 19, 2015.

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 non flow through 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 non flow through unit consists of one common share and one half of one share purchase warrant and each flow through units 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.

ii) During the year ended December 31, 2013 the Company completed the following financing activities:

On November 28, 2013 a $2.5 million convertible debenture issued in November 2012 was converted by the debenture holder, a related party, at $0.25 per common share.

On April 2, 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.

iii) During the year ended December 31, 2012, the Company received $1,705,528 pursuant to the exercise of 6,367,500 warrants and 1,650,000 stock options. No warrants or stock options were exercised during the year ended December 31, 2013.

Liquidity and Capital Resources

As at December 31, 2013, the Company had a working capital deficit of $2,169,938 (excluding the non-cash flow-through premium liability and the derivative put option liability), compared to a working capital deficit of $343,099 as at December 31, 2012. The Company's working capital was augmented subsequent to December 31, 2013 with the completion of a private placement of units and the completion of a short form prospectus offering of units for total gross proceeds of $4,185,901.

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 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
- 710311 Alberta Ltd, a company owned by Ross Moulton, VP Exploration of the Company
- 8705224 Canada Inc, a company owned by Dr. Simon Desjardins, VP Technical Services & Project Management

During the years ended December 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:

	2013 ($)	**2012 ($)**
Management compensation (1)	467,474	196,204
Legal fees	-	2,413
Share issuance costs (2)	30,549	-

(1) The charge includes monthly fees paid to Malaspina Consultants Inc., Fiore Management & Advisory Corp., 710311 Alberta Ltd and 8705224 Canada Inc.
(2) The charge includes fees paid to Fiore Management & Advisory Corp.

Included in accounts payable and accrued liabilities as at December 31, 2013 was $42,658 (2012 - $30,748) 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 $177,086 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 years ended December 31, 2013 and 2012 was as follows:

	2013 ($)	**2012 ($)**
Management compensation	438,000	348,000
Share-based payments	225,184	98,220

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 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.

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 - Level 2 valuation is 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, 2013, 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, 2013, the Company did not have any surplus funds invested in GIC's.

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 an immaterial movement 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, 2013, the Company had a working capital deficiency of $2,169,938 which is not sufficient to cover funding requirements for operations as currently planned for at least the next twelve months. Subsequent to December 31, 2013 the Company completed a private placement of units and short form prospectus offering of units for total gross proceeds of $4,185,901.

New Standards and Amendments Effective for the First Time from January 1, 2013

The following revised standards and amendments became effective on January 1, 2013. The new and amended standards did not have a significant impact on the financial statements. The following is a brief summary of the principal new standards:

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.

Accounting Standards Issued But Not Yet Effective

The following revised standard is effective for annual periods beginning on or after January 1, 2015 with earlier application permitted. The Company has not completed its assessment of the impact that the new and amended standards will have on its financial statements. The following is a brief summary of the principal new standard:

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..

Outstanding Share Data

The following table discloses the Company's share capital structure as at April 28, 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	1,975,000	$0.15 - $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*	**3,382,353**	up to $0.34	October 8, 2015
TOTAL	**91,792,327**		

* As of April 28 2014 (the date of this MD&A) the share price of the Company was $0.15 which would be a dilution of 7,666,666 common shares. The maximum share price the put option can be converted at is $0.34 which would be a minimum dilution of 3,382,353 common shares.

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, 2013 and this accompanying MD&A (together, the "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 April 28 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".