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 nine months ended September 30, 2012 has been prepared as of November 27, 2012. It should be read in conjunction with the condensed interim consolidated financial statements of Encanto Potash Corp. (the "Company") for the three and nine months ended September 30, 2012 as well as the audited annual consolidated financial statements of the Company for the year ended December 31, 2011 and the accompanying MD&A for the year then ended.

All amounts are expressed in Canadian dollars unless otherwise indicated.

Description of Business

Encanto is an exploration and development company focused on potash properties in the province of Saskatchewan, the largest producing potash region in the world. The Company is primarily focused on the development of its flagship property, the Muskowekwan potash property, and has commenced pre-feasibility studies ("PFS") following a favorable preliminary economic assessment and updated NI 43-101 compliant Mineral Resource Estimate. In addition to its flagship property, the Company holds a 100% interest in several other potash properties in Saskatchewan including the Ochapowace and Chacachas First Nation lands, and the Spar property and KP452 claim.

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

Recent Highlights

The Company determined the preferred site selection for the Muskowekwan mine infrastructure location and tailings management area.

The Company has commenced a 3D Seismic program on the Muskowekwan potash property, which will enable the Company to recalculate and release an updated resource estimate. It is expected that this will result in a significant movement of Inferred Resource into the Indicated Resource category and increase the corresponding mine life associated with Measured and Indicated Resources.

Muskowekwan Potash Property

The Muskowekwan potash property is located in southeastern Saskatchewan, approximately 100 km north of Regina, and comprises a total of approximately 58,300 acres.

The Company's 100% interest in the property 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 for, develop and produce 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 approximately 58,300 total acres from 15,500 acres.

Since increasing the Muskowekwan land package the Company has been able to increase the Measured (26.9 MMt) and Indicated (103.8 MMt) resources to 130.7 MMt and the Inferred resources to 234.7 MMt.

The Company filed an updated NI 43-101 compliant Mineral Resource Estimate, prepared based on the solution mining extraction method on May 10, 2012. The resource for the proposed solution mining intervals has been calculated as follows:

- <u>Measured Resource</u>: 272.6 MMt in place sylvinite grading 29.6% KCl or 18.7% K_2O (26.9 MMt of recoverable KCl, or 17.0 MMt of recoverable K_2O) and
- <u>Indicated Resource</u>: 1,049.3 MMt in place sylvinite grading 29.7% KCl or 18.8% K_2O (103.8 MMt of recoverable KCl, or 65.6 MMt recoverable K_2O) and
- <u>Inferred Resource</u>: 2,496.4 MMt in place sylvinite grading 28.3% KCl or 17.9% K_2O (234.7 MMt of recoverable KCl, or 148.3 MMt of recoverable K_2O).

The current resource supports a 52 year mine life based only on the Measured and Indicated resources at a 2.5 MMt/yr production rate. The Company plans on significantly increasing this resource life by converting the Inferred resource to Measured and Indicated and adding new tonnage through:

- Additional land acquisitions with MRL.
- Completion of further 3D seismic work on the remaining uncovered portions of the Muskowekwan property.
- Receipt of assay results from the 2 drill-hole program conducted in November 2011 which were utilized for engineering test work in Germany and the U.S.

The Company completed a site selection survey, including a drilling program that verified the suitability of the preferred plant site for the Muskowekwan potash mine 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 environmental assessment of the site is being conducted. 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 in September.
- 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 also 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, Site Selection Assistance studies are ongoing.
- Soil and surface water studies continue.

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 55,000 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 140,000 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 $409,582 in 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 Muskowekwan and Ochapowace properties.

Investment

On September 16, 2010, the Company, together with certain 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 for the three remaining First Nation agreements.

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 price on September 30, 2012 was $0.04 (December 31, 2011 of $0.19 per share). The Company determined that the fair value of the investment had decreased significantly and the decrease was other than temporary in nature. Accordingly, the Company recognized an impairment loss of $1,696,000.

Quarterly Results

The following is selected financial data for the last eight quarters ending with the most recently completed quarter, being the three months ended September 30, 2012.

	Three months ended			
	September 30 2012 ($)	**June 30 2012 ($)**	**March 31 2012 ($)**	**December 31 2011 ($)**
Total revenue	-	-	-	-
Net loss	(3,131,672)	(1,036,288)	(996,451)	(1,031,576)
Net loss per share (basic and diluted) [1]	(0.01)	(0.00)	(0.00)	(0.01)
Deferred exploration expenditures and acquisition costs	1,207,311	953,868	751,131	2,808,611
Total assets	29,405,290	31,488,289	32,692,694	32,557,646

	Three months ended			
	September 30 2011 ($)	**June 30 2011 ($)**	**March 31 2011 ($)**	**December 31 2010 ($)**
Total revenue	-	-	-	-
Net loss	(1,236,236)	(872,782)	(1,695,710)	(1,923,097)
Net loss per share (basic and diluted) [1]	(0.00)	(0.00)	(0.01)	(0.01)
Deferred exploration expenditures and acquisition costs	1,752,158	526,746	253,453	4,861,527
Total assets	28,421,576	30,160,500	29,535,600	30,454,141

(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.

During the quarter ended December 31, 2010 the Company recorded $437,620 as a reduction of deferred tax liabilities with an offsetting credit to recovery of deferred income taxes and recorded a write-off of mineral property interests in the amounts of $1,567,828 with respect to potash prospects, other than the Muskowekwan, Ochapowace, Chacachas, Spar and KP452 properties.

The Company's reported losses included share-based payments of $90,741, $242,224, $103,634, $149,493, $431,796, $58,246, $54,342 and $218,578 in each of the respective quarters reported on in the table from the quarter ended June 30, 2012 to the quarter ended December 31, 2010.

The increase in total assets during the quarters ended December, 2010 and December 31, 2011, was due to the completion of private placement financings during those quarters.

During the quarters ended December 31, 2010, September 30, 2011 and December 31, 2011, the increase in deferred exploration expenditures reflects drilling programs completed during those periods.

Results of Operations

Nine months ended September 30, 2012

During the nine months ended September 30, 2012, the Company reported a net loss of $5,164,411 or $0.02 loss per share (2011 - net loss $3,804,730 or $0.02 loss per share). Operating activities consumed $2,644,766 of cash flow before working capital adjustments. Cash requirements for investing activities totaled $3,000,719, virtually all for deferred exploration expenditures on the Company's potash mineral prospects.

	Nine months ended September 30,	
	2012	**2011**
	$	**$**
General and administrative expenses	(2,690,760)	(2,111,101)
Share-based payments	(436,598)	(544,384)
Interest earned	37,029	37,423
Impairment on investment	(1,696,000)	-
Write off of mineral property interests	(409,582)	-
Deferred income tax recovery (expense)	31,500	(1,186,668)
Net loss for the period	(5,164,411)	(3,804,730)

Share-based payments expense of $436,598 (2011 - $544,384) was recorded based on 5,100,000 (2011 – 5,175,000) stock options granted during the period and with respect to the vesting terms of those stock options as well as vesting of previously granted stock options.

The Company recognized an impairment charge with respect to the investment in Sundance of $1,696,000 and wrote off $409,582 of mineral property interests relating to certain claims of the Spar property during the nine months ended September 30, 2012 (2011 – nil).

The Company recognized deferred income tax recovery of $31,500 (2011 – expense of $1,186,668) which arose in connection with the Company's accounting procedures for flow-through shares it has issued. The renunciations occurred in February 2012 and February 2011 with effect as of December 31, 2011 and 2010 respectively.

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 period over period variances in expenses were with respect to corporate development consultants, First Nation consulting, First Nation development and designation, management compensation expense, share-based payments and travel and accommodation:

Corporate development consultants - $870,559 (2011 - $76,018)
The expense has increased due to the increased number and 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 Muskowekwan potash property.

Aggregate First Nation relations - $586,002 (2011 - $997,020)
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 levels as certain of the designation votes had been completed in prior periods.

Management compensation - $418,594 (2011 - $322,034)
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 respective increases in the compensation paid to senior management and for related administrative matters.

Travel and accommodation - $193,388 (2011 - $81,593)
The expense has increased due to the amount of travel incurred by Management to support the wider range of initiatives the Company is undertaking to advance the development of the Muskowekwan property.

Three months ended September 30, 2012

During the three months ended September 30, 2012, the Company reported a net loss of \$3,131,672 or \$0.01 loss per share (2011 - net loss \$1,236,236 or \$0.00 loss per share).

	Three months ended September 30,	
	2012	**2011**
	\$	**\$**
General and administrative expenses	(952,580)	(787,189)
Share-based payments	(90,741)	(431,796)
Interest earned	7,731	4,417
Impairment on Investment	(1,696,000)	-
Write off mineral property interests	(409,582)	-
Deferred income tax recovery (expense)	9,500	(21,668)
Net loss for the period	(3,131,672)	(1,236,236)

Share-based payments expense of \$90,741 (2011 - \$431,796) was recorded based on nil (2011 – 4,975,000) stock options granted during the period and with respect to the vesting terms of those stock options as well as vesting of previously granted stock options.

The Company recognized an impairment charge with respect to the investment in Sundance of \$1,696,000 and wrote off \$409,582 of mineral property interests relating to certain claims of the Spar property during the three months ended September 30, 2012 (2011 – nil).

The Company recognized deferred income tax recovery of \$9,500 (2011 – expense of \$21,668) which arose in connection with the Company's accounting procedures for flow-through shares it has issued. The renunciations occurred in February 2012 and February 2011 with effect as of December 31, 2011 and 2010 respectively.

With respect to general and administrative expenses, the 2012 expenditures were generally consistent with those of 2011 on a net basis, however the most significant period over period variances in expenses were with respect to corporate development consultants, First Nation consulting, First Nation development and designation, management compensation, share-based payments and travel and accommodation:

<u>Corporate development consultants - \$372,241 (2011 - \$22,793)</u>
The expense has increased due to the increased number and 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 Muskowekwan property.

<u>Aggregate First Nation relations - \$197,979 (2011 - \$414,413)</u>
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 levels as certain of the designation votes had been completed in prior periods.

Management compensation - \$137,742 (2011 - \$106,392)
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 respective increases in the compensation paid to senior management and for related administrative matters.

Travel and accommodation - \$71,080 (2011 - \$26,606)
The expense has increased due to the amount of travel incurred by Management to support the wider range of initiatives the Company is undertaking to advance the development of the Muskowekwan property.

Capital Expenditures

During the nine months ended September 30, 2012, the Company incurred deferred cash exploration expenditures of \$3,013,486 and acquisition expenditures of \$144,160.

Under the terms of the flow-through share offering of December 23, 2011, the Company is committed to spend \$2,000,000 in qualifying Canadian exploration expenses as defined under the *Income Taxes Act, Canada* by not later than December 31, 2012. As at November 27, 2012 the Company has approximately \$120,000 remaining to incur in qualifying expenditures with respect to this commitment.

At the present time, the Company has insufficient funds on hand to meet its currently expected operational and capital expenditure requirements over the next 12 months. Continued development of the MFN Project will require further capital expenditures. In order to meet these requirements over the longer term the Company will require additional financing.

Financing Activities

During the nine months ended September 30, 2012, the Company received \$1,705,528 (2011 - \$1,956,364) pursuant to the exercise of 6,367,500 (2011 – 8,889,825) warrants and 1,650,000 (2011 – 605,000) stock options.

Liquidity and Capital Resources

As at September 30, 2012, the Company had working capital of \$1,917,066 (excluding the non-cash flow-through premium liability), compared to working capital of \$5,630,611 (excluding the non-cash flow-through premium liability) as at December 31, 2011.

The Company has no debt or other long term obligations other than the commitment to spend approximately \$120,000 (as at November 27, 2012) in Qualifying Exploration Expenditures by December 31, 2012 as a result of flow-through funds raised during fiscal 2011.

The Company is currently in the development stage and depends on the equity 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 pre-feasibility and exploration program for fiscal 2012. As part of its ongoing strategic plan the Company is exploring alternate financing opportunities including equity financings, debt financings and strategic partner arrangements.

Related Party Transactions

During the three and nine months ended September 30, 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:

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
	$	$	**$**	$
Management compensation	47,742	91,392	148,594	279,364
Legal fees	-	10,100	4,413	31,545
First Nation consulting	-	56,917	-	176,145
	47,742	158,409	153,007	487,054

Included in accounts payable and accrued liabilities as at September 30, 2012 was $21,554 (December 31, 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 three and nine months ended September 30, 2012 and 2011 was as follows:

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
	$	$	**$**	$
Management compensation	87,000	51,000	261,000	132,000
Share-based payments	19,757	95,219	88,455	168,168
	106,757	146,219	349,455	300,168

Financial Instruments

The Company's financial instruments consist of cash, deposits, investment, and accounts payable and accrued liabilities. All of the Company's cash is held through a major Canadian chartered bank. A 10% change in the fair value of Sundance shares would result in a $42,000 change in the reported value of the investment.

Outstanding Share Data

The following table discloses the Company's share capital structure as at November 27, 2012, 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 at November 27, 2012: 278,209,798

c) Fully diluted common shares at November 27, 2012:

Type of Security	Number	Exercise Price	Expiry Date
Stock options	400,000	$0.42	December 20, 2012
Stock options	250,000	$0.22	December 31, 2012
Stock options	200,000	$0.27	April 28, 2013
Stock options	100,000	$0.26	September 1, 2013
Stock options	250,000	$0.44	November 29, 2015
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
	25,775,000		
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		

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 nine months ended September 30, 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 the balance of fiscal 2012 and Q1 of 2013 will be as follows:

- Advance the pre-feasibility study on the Muskowekwan property with a completion target of the Q1 of 2013. The pre-feasibility study will generate a new NI 43-101 compliant resource/reserve technical report.

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

- Complete the ongoing 3D seismic program on the remaining uncovered portions of the Muskowekwan property.

- Continue the environmental baseline studies on the Muskowekwan property, 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 in 2013.

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 November 27, 2012.
- 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".