

**ENCANTO POTASH CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2024**

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

**INTRODUCTION**

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for nine-month period ended September 30, 2024, has been prepared as of November 28, 2024. It should be read in conjunction with the interim consolidated financial statements of Encanto Potash Corp. ("Encanto" or the "Company") for the nine-month periods ended September 30, 2024 and 2023.

All amounts are expressed in Canadian dollars unless otherwise indicated.

**COMPANY OVERVIEW AND STRATEGY**

The Company is a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan and Ontario and traded on the TSX Venture Exchange ("TSXV") under the trading symbol "EPO" up to March 6, 2020. On March 6, 2020, the Company's listing was transferred to the NEX board and its shares trade under the symbol "EPO.H".

The Company is an exploration and mine development company focused on potash properties in the Province of Saskatchewan. The Company's only mineral property interest is an exploration right granted pursuant to a Joint Venture Agreement (the "JVA") dated October 16, 2010 among the Company, Muskowekwan First Nation ("MFN") and Muskowekwan Resources Limited Partnership ("MRL"), for the right to develop reserve lands held by MFN (the "MFN Project"). The Company has not met its obligations under the JVA, and the JVA may be terminated by the MFN based on its terms.

**HIGHLIGHTS IN 2023 AND 2024**

Management focus in 2023 was for the newly appointed CEO Robert Dzisiak to continue to familiarise himself with the Company and work with counsel to seek a resolution to the Company's finances and efforts to rectify outstanding issues deficiencies with the JVA with the MFN. In addition, Robert Dzisiak CEO and retired Chief Reginald Bellerose worked along with engineering consultants of the Company to restart the Company's development of the Potash resources underlying the JVA on faith basis towards resumption of the Company's obligation under the JVA.

On September 27, 2023, the Company received final approval from the TSX Venture Exchange for its five (5) to one (1) share consolidation. Effective at the opening of trading on September 29, 2023, Encanto's shares commenced trading on the TSX Venture Exchange on a consolidated basis. All common share and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

In 2024, management keeps on working on financings and to restart the Company's development of the Potash resources underlying the JVA towards resumption of the Company's obligation under the JVA.

## 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.

Pursuant to the JVA, Company holds the exclusive right to work with MFN and MRL in proceeding to explore, develop and produce the potash on the property. Pursuant to the terms of the JVA, the Company is obligated to make payments of approximately \$375,000 per year to the MFN. The Company is in default of making these payments. Pursuant to the JVA, the MFN may terminate the JVA as the Company is in default. The parties are in discussions regarding resolving the default and advancing the project. The Company has not conducted any work directly on the MFN Project since 2017.

In furtherance of the JVA, the Company completed a preliminary economic assessment on the MFN, which was disclosed in a technical report dated May 24, 2017 titled "NI Technical Report on a Preliminary Economic Assessment and Preliminary Feasibility Study of the Muskowekwan Potash Project, South Eastern Saskatchewan, Canada". The technical report is available under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### Liabilities and shareholders' Equity

The Company at September 30, 2024 has total liabilities of \$30,548,724 and shareholder's Deficiency of \$105,555,222.

As disclosed in the financial statements at December 31, 2023, the Company settled outstanding payables owed to Horgen Holdings Inc. against a promissory note of \$10,276,550 payable on or after September 1, 2023 with monthly interest of 6% per annum on February 17, 2022. The Company recognized a loss of \$34,644 at the time of settlement.

## OUTLOOK

The general public market volatility has continued to affect the overall state of the exploration and development stage companies in the mining industry. Management believes that demand for potash will remain strong, and is working to retain its interest in the MFN Project. There is no guarantee that the Company will be able to maintain its interest in the MFN Project. The development of mineral projects requires significant financial resources. There is no guarantee that the Company will be able to obtain the financing necessary to maintain the MFN Project.

### Selected Annual Information

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended December 31, 2023, 2022 and 2021:

	2023 (\$)	2022 (\$)	2021 (\$)
Total revenues	-	-	-
Net loss and comprehensive loss	(1,777,078)	(1,750,142)	(1,360,175)
Net loss per share (basic and diluted) <sup>(1) (2)</sup>	(0.099)	(0.105)	(0.02)
Total assets	97,259	241,023	88,364
Dividends declared	-	-	-

<sup>(1)</sup> 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.

## OUTLOOK (continued)

(2) The net loss per share is on a pre-consolidation basis.

The loss for the year ended December 31, 2023, includes financing expenses of \$1,490,614 related to the convertible debenture and promissory note.

The loss for the year ended December 31, 2022, includes a gain on write-off of accounts payable of \$964,377, corporate development consultants' expenses of \$695,500, stock-based compensation of \$346,907, and financing expenses of \$1,344,799 related to the convertible debenture and promissory note.

The loss for the year ended December 31, 2021, includes a gain on settlement of liabilities of \$1,619,900, a loss on investment of \$1,014,188, corporate development consultants' expenses of \$720,842 and financing expenses of \$812,047 related to the convertible debenture.

## Quarterly Results

The following is selected financial data for the last eight quarters ending with the most recently completed quarter, being the nine months ended September 30, 2024:

	<b>September 30, 2024 (\$)</b>	<b>June 30, 2024 (\$)</b>	<b>March 31, 2024 (\$)</b>	<b>December 31, 2023 (\$)</b>
Total revenue	-	-	-	-
Net loss	(421,822)	(480,135)	(409,355)	(403,555)
Net loss per share (basic and diluted) <sup>(1)</sup>	(0.023)	(0.027)	(0.023)	(0.022)
Total assets	92,377	94,582	94,582	97,259

	<b>September 30, 2023 (\$)</b>	<b>June 30, 2023 (\$)</b>	<b>March 31, 2023 (\$)</b>	<b>December 31, 2022 (\$)</b>
Total revenue	-	-	-	-
Net loss	(406,158)	(435,107)	(532,258)	(171,196)
Net loss per share (basic and diluted) <sup>(1)</sup>	(0.023)	(0.024)	(0.03)	(0.007)
Total assets	117,556	120,901	194,353	241,023

(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, 2024, the net loss slightly increased due to higher finance expense

During the quarter ended June 30, 2024, the net loss increased due to the cost of options granted.

During the quarter ended March 31, 2024, the net loss decreased due to lower consulting fees.

During the quarter ended December 31, 2023, the net loss decreased due to lower foreign exchange loss.

During the quarter ended September 30, 2023, the net loss lost slightly increased.

## OUTLOOK (continued)

During the quarter ended June 30, 2023, the net loss decreased due to lower stock-based compensation cost \$18,434 (\$229,917 in 2022).

During the quarter ended December 31, 2022, the net loss decreased due to higher finance expense of \$359,363 (\$231,960 in 2021).

## Results of Operations

During the nine-month period ended September 30, 2024, the Company reported a net loss of \$1,311,312 or \$0.073 loss per share (2023 - \$1,373,523 or \$0.076 loss per share).

	2024	2023
	(\$)	(\$)
General and administrative expenses	(143,516)	(259,815)
Finance expense	(1,167,796)	(1,113,707)
Net loss and comprehensive loss for the period	(1,311,312)	(1,373,523)

## Capital Expenditures

During the nine-month period ended September 30, 2024, the Company have not incurred any amount in deferred exploration expenditures.

## Liquidity and Capital Resources

As at September 30, 2024, the Company had a working capital deficit of \$30,524,769 (\$29,278,641 as at December 31, 2023).

## Related Party Transactions

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

- Aref Kanafani, the acting Chief Financial Officer.
- Bellerose & Associates Inc., a company owned by retired chief Reginald Bellerose, Director of the Company.

## OUTLOOK (continued)

### Financial instruments

The classification and risks pertaining to the financial instruments are disclosed in Note 14 of the consolidated financial statements for nine-month period ended September 30, 2024.

### Critical accounting estimates

The critical accounting estimates are disclosed in Note 5 of the consolidated financial statements for the nine-month period ended September 30, 2024.

### Outstanding Share Data

The following table discloses the Company's share capital structure as at November 28, 2024, 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 and fully diluted common shares:

<u>Type of Security</u>	<u>Number</u>
Issued and outstanding	18,018,379
Stock options	1,764,000
Convertible debentures	1,540,000
<b>TOTAL DILUTION</b>	<b>21,322,379</b>

### 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 of the Company has filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim consolidated financial statements for the nine month period ended September 30, 2024 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.sedarplus.ca](http://www.sedarplus.ca).

## **OUTLOOK (continued)**

### **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.
- The Company is currently has only one mineral project, the MFN Project. The Company's success is substantially dependent is ability to develop the MFN Project. The Company has not met all of its obligations under the JVA and may be in default under that agreement. While the Company continues to discuss with the MFN proposals to advance the MFN Project, there is no guarantee that the Company will be able to maintain its interest on the terms agreed under the JVA, or at all.
- 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. The Company will require additional financing in order to advance the MFN Project and for general working capital. There is no guarantee that the Company will be able to obtain such financing, which would materially and adversely affect the Company's business.
- 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 (continued)**

### **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.

## **OUTLOOK (continued)**

### **Forward-Looking Statements (continued)**

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of the date of the MD&A.
- 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".

### **Subsequent event**

No subsequent event.

### **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.sedarplus.ca](http://www.sedarplus.ca).