Growth Stocks Weekly www.gsweekly.com

Publisher: Agilis Capital Corporation, Inc. ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** rreinhard@shaw.ca

Performance: YTD April 30: '96 116.9%; '97 28.1%; '98 36.4%; '99 39.4%; '00 180.9%; '01 -50.5%; '02 18.7%; '03 28.8%; '04 166.7%; '05 28.2%; '06 153.3%; '07 8.8%; '08 –25.2%; '09 –50.3%; '10 162.3%

Junior Gold and Natural Resource Sector Report

August 17, 2010

ENCANTO POTASH CORP (EPO-TSXV)

UPDATE

Daily chart, High $0.345, Low $0.105, Last trade $0.14

Sector lights up as Potash Corp attracts buyout offer!

Today giant Aussie mining company BHP Billiton offered $130 per share in cash for **Potash Corp (POT-TSX).** The deal would be worth a whopping $38.6 billion. POT is up 27% on the news, just over $147 at the close, well above the offer price.

So what do potash sector investors do now? Hold on to your shares would be our approach at this point. So let's take a quick look at what the BHP offer is all about, and what it means for the sector.

It’s all about valuation. Replacement value is something one needs to consider as a starting point. Morgan Stanley's recent estimate for POT was $158 per share, and we won’t rehash the methodology. Keep in mind, replacement value is a bare minimum. Most growing and profitable companies command premiums well above replacement value. This is why we love buying stocks below replacement value. It's often an excellent indicator of value.

BHP obviously sees significant value in owning POT, and there’s plenty of room to move for the share price, which is why POT trades well above BHP's offer. The market is betting that BHP will sweeten the pot. We think they will too.

This brings us to what is so special about POT. We've often talked about the value of potash as a nutrient in boosting crop yields. It's part of the solution to the problem of growing more food for a growing planet. Most of the world uses far less potash than science recommends. So, there is plenty of room for demand to grow.

What about supply? Quality potash mines are hard to find, and take time to develop. Potash Corp and Mosaic (MOS-NYSE) own most of the best assets. MOS is up about 10% today in sympathy, and may be the next wooed in the scramble for potash. The Brazilians, who don't have much potash but need it, are sniffing around. Vale, S.A., is the likely buyer.

Last week we got more evidence of the strategic importance of potash. The two big Russian potash producers are getting together. As the FT reported, this would be "the first making of a national champion since the state-backed consolidation of the energy sector in the mid-2000s." The combined company would be the second largest producer of potash behind Potash Corp.

POT has a valuable asset that is hard to reproduce and is of strategic importance to the world's food supply. And prices and volumes have only started to recover from crisis lows. We'd expect a higher bid from BHP. Let's see how this drama unfolds.

As a result of BHP’s now-highlighted interest in potash, our holding in Encanto Potash received a nice price bump today, on record volume. There’s a saying that volume precedes price – meaning that a lot of the weak hands have been cleared out here – leaving that much less share supply on the sell side. Follow up buying would likely generate further price appreciation.

Encanto is focused on exploring for potash in five southeastern Saskatchewan prospects, working with the Chacachas, Day Star, Muskowekwan, Muscowpetung and Ochapowace First Nations Peoples in Saskatchewan to assist them in developing potash resources on their lands.

Encanto Potash is rapidly moving towards an initial resource calculation on its Muskowekwan project in Saskatchewan. Initial assays returned values greater than 25% K2O or 40% KCl over mineable widths in two separate potash beds. The company plans to drill four to six infill holes at Muskowekwan for its initial resources calculation due in Q3/Q4 2010. Seismic results from an extensive 3D program at Muskowekwan are expected at any time.

The key for Encanto is that it is developing these properties with the full community support of First Nations. Encanto has 100% potash mineral title to all of the properties and the First Nations have a 3% GORR (Gross Over Riding Royalty) upon production. So all stakeholders’ interests are well-aligned.

Encanto's Spar property has a NI43-101 compliant resource calculation compiled by Agapito Associates, Inc. of an indicated resource of 12.49 million tonnes of K2O and an Inferred resource of 12.24 million tonnes of K2O. This resource estimate was determined based on the two holes drilled by Canadian Exploration Ltd. in 1969. The holes are located approximately 3.2 kilometres apart in the southwest corner of the Spar property. The resource covers approximately 17% of the property.

The Saskatchewan potash beds are normally very consistent over tens of kilometers. As a result, only a few widely spaced drill holes are required to create a large potash resource.

Conclusion

We have to keep in mind that these are only Encanto’s initial results, and that these potash bearing members, while generally very uniform and reliable in nature, do swell and pinch, so more drilling results are needed. But importantly, Encanto’s grades of 40% KCl are very good (just look at Potash One’s grades in the mid-20% area).

Encanto’s primary focus is to fast-track exploration of these prospective potash properties and to develop an economic deposit. A 43-101 Technical Report will eventually give analysts something to rely on which will likely

confirm a higher valuation for the share price, but president Jim Walchuck and his team are doing a great job of bringing to light a potentially new commercial potash resource.

Potash as a commodity has a great future, and the first nations control key sections of highly prospective land, hitherto unavailable for potash exploration and exploitation. A key factor in the success of any potash venture is the ability to finance through to production. With the assistance of Endeavour Financial, a proven value-builder within the resource sector as many of my subscribers can attest, Encanto is well-positioned to build acreage and assets accretive for its shareholders.

Potash is a key source of potassium, which is a natural component of fertilizer that increases crop yields. The world's population is growing by 75 million people per year. The only known way to feed this growing population is to increase crop yields with fertilizer - and potassium obtained from potash is one of the key components.

Your Source for High-Potential Early-Stage Growth Stocks Since 1995

For free reports and discount subscriber rate visit us at: *www.gsweekly.com*

Growth Stocks Weekly
Since 1995

Copyright © 1995-2010 by Agilis Capital Corp. All Rights Reserved.

DISCLAIMER

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE

The information found in this profile is protected by copyright laws and may not be copied, or reproduced in any way without the expressed, written consent of the editors of Growth Stocks Weekly. Growth Stocks Weekly is an independent electronic publication committed to providing our subscribers with factual information on selected publicly traded companies, business, and economics. All companies are chosen on the basis of certain financial analysis, and other pertinent criteria with a view toward maximizing the upside potential for investors while minimizing the downside risk, whenever possible with the added aid of technical analysis. Growth Stocks Weekly and its editors do not accept compensation from public companies featured in this publication. All statements and expressions are the sole opinions of the editors and are subject to change without notice. A profile, description, or other mention of a company in the newsletter is neither an offer nor solicitation to buy or sell any securities mentioned. While we believe all sources of information to be factual and reliable, in no way do we represent or guarantee the accuracy thereof, nor the statements made herein. The staff of Growth Stocks Weekly are not registered investment advisors and do not purport to offer personalized investment related advice. The publisher, staff, or anyone associated with, or associated to, the Growth Stocks Weekly may own securities mentioned in this newsletter and may buy or sell securities without notice. The profiles, critiques, and other editorial content of the Growth Stocks Weekly may contain forward-looking statements relating to the expected capabilities of the companies mentioned herein. The reader should verify all claims and do their own due diligence before investing in any securities mentioned. Investing in securities is speculative and carries a high degree of risk. We encourage our readers to invest carefully and read the investor information available at the web sites of the Securities and Exchange Commission ("SEC") at http://www.sec.gov and/or the National Association of Securities Dealers ("NASD") at http://www.nasd.com. We also strongly recommend that you read the SEC advisory to investors concerning Internet Stock Fraud, which can be found at http://www.sec.gov/consumer/cyberfr.htm. Readers can review all public filings by companies at the SEC's EDGAR page in the U.S. and SEDAR's electronic filing of securities information as required by the securities regulatory agencies in Canada at www.sedar.com. The NASD has published information on how to invest carefully at its web site.