

Growth Stocks Weekly

Publisher: Diversified Financial Solutions, Inc. ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** reinhard@shaw.ca

Growth: 1996 116.9%; 1997 28.1%; 1998 36.4%; 1999 39.4%; 2000 180.9%; 2001 -50.5%; 2002 18.7%; 2003 28.8%; 2004 166.7%; 2005 28.2%; 2006 153.3%; 2007 8.8%; 2008 -25.2%; 2009 -50.3%

Junior Natural Resource Sector Research

February 2, 2010

ENCANTO POTASH CORP (EPO-TSXV)

UPDATE



Daily chart, High \$0.345, Low \$0.15, Last trade \$0.22

Encanto has today released some excellent initial assay results on its Muskowekan and Ochapowace projects, located near Regina, Saskatchewan, Canada. There are 3 potash bearing members that define the Prairie Evaporite Formation in Saskatchewan, namely the Patience Lake Member, the Belle Plain Member and the Esterhazy Member. Results indicate that the Muskowekan has two of these Members that carry potentially economic grades of potash mineralization in this location.

Average weighted grades from the Muskowekan 02-09 hole ran 3.6 m of 39.9% KCl for the Patience Lake Member, 2.4 m of 40.4% for the Belle Plaine Member and 5.3 m of 19.6% for the Esterhazy Member. The Esterhazy Member interval and grade is lower than what is generally regarded as necessary for a commercial operation.

At Encanto's Ochapowace property, the first drill hole 16-23-17-04 results ran 6.0 m of 14.1% KCl for the Belle Plaine Member and 4 m of 19.2% for the Esterhazy. These are also less than what is generally regarded as necessary for a commercial operation. However, detailed interpretation of the 2D seismic acquired in the Ochapowace area may justify further evaluation of this area.

On January 15 Encanto released some news from completed logging of some old historical oil wells proximal to its project area. This logging exercise picked up on these same 3 potash-bearing members. Logs clearly outlined the thickness of these zones. These old oil wells are situated several kilometres distant from the Encanto project area, but the logging data is quite valid given the uniformity of the potash beds in Saskatchewan.

Based on the claims map included with the logging report, the Muskowekan project area is calculated to be about 45 sq. miles or 116 sq. kms. The old oil wells logged showed the Patience Lake Member to be on average 4.2 m thick, the Belle Plaine Member to be 3.6 m thick and the Esterhazy Member to be 2.4 m thick. Today's released results were 86%, 67% and 121% of these thicknesses respectively, but grades were very good.

To give some potential scope and scale to Encanto's potential going forward, we can apply some basic back-of-the-envelope math to the Muskowekan project's promising results. Ignoring the narrow and lower grade Esterhazy Member completely at this time, and using the old historical oil well logs as the upper limit, and today's initial drill results as the base case, we can create some comparables.

First, using the old historical oil well logs as the upper limit, we can infer $116 \text{ sq. kms} \times (4.2 + 3.6) = 10.2$ metres of mineralization = 1.183 billion cubic metres. $1.183 \text{ billion cubic metres} \times 2.14 \text{ tonnes per cubic metre} = 2.53$ billion tonnes of potash mineralization. Industry standards call for the application of a 25% reduction factor on inferred resources to account for underground anomalies, leaving 1.9 billion tonnes of resource. And when solution mining (meaning they inject fluids down into the potash beds, dissolve it, bring it up in solution, and precipitate it out at surface), only about 34% of the material can be removed. Applying this figure leaves 646 million tonnes of resource. Industry standards call for the application of an 80% efficiency factor, leaving 516 million tonnes. Applying a 5% further efficiency reduction leaves 491 million tonnes. So, in total, these rough calculations would give Encanto a potential recoverable resource of 491 million tonnes of potash mineralization.

Now we use the same procedure with today's actual 3.6 m interval for the Patience Lake Member and 2.4 m for the Belle Plaine Member, again ignoring the Esterhazy completely at this time. Plugging in a total of 6.0 m versus the 10.2 m used above, this results in a potential recoverable resource $(6.0/10.2)$ of 59% of the earlier derived values, or about 290 million tonnes.

For comparison purposes, Potash One is the acknowledged leader among the junior potash companies. They are on track to bring on the first potash mine built in Saskatchewan in 40 years using solution mining. This process has the advantage of being a less expensive alternative to going underground (lower Capex), and is scalable. Potash One has a NI 43-101 compliant Measured and Indicated Mineral Resource of 251 million tonnes of KCl grading 26% and an Inferred Mineral Resource of 852 million tonnes of KCl grading 23.8%.

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 39.9% and 40.4% KCl are very good (just look at Potash One's grades in the mid-20% area).

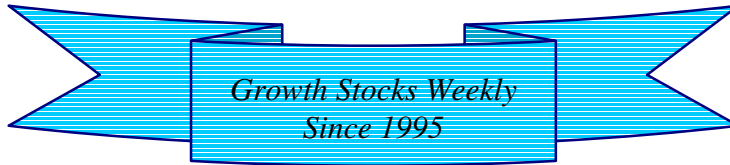
Encanto's primary focus is to fast-track exploration of these prospective potash properties and to develop an economic deposit. A 43-101 Technical Report will eventually give analysts something to rely on which will likely confirm a higher valuation for the share price, but president Jim Walchuck and 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.

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

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



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.