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AFTERNOON COMMENT **August 9, 2011**

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VULCAN MINERALS INC.³ (TSXV-VUL)

Recommendation: **SPECULATIVE BUY**
Target: **\$1.40**
Previous Close: **\$0.18**
Market Cap (MM): **\$10**

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Vulcan Shareholders to Vote on the Spinoff of the Bay St. George Potash and Salt Assets into a Separate Public Company on August 31, 2011

AGRICULTURE & FERTILIZER UPDATE

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Weekly Industry Update



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VULCAN MINERALS INC.³ (TSXV-VUL)

Shareholders to Vote on Spinoff of Bay St. George Potash and Salt Assets into Separate Public Company

Vulcan Minerals Inc. (TSXV-VUL)		Recommendation: SPECULATIVE BUY			Ken Chernin
Previous Close:	\$0.18	12-Month Target:	\$1.40		(902) 496-7007
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Potential Return	677.8%	FYE: DEC. 31	Production (Boe/d)	CFPS (C\$MM)	Diluted EPS (C\$MM)
Market Cap (MM)	\$10	2011E	na	na	na
52 Week High	\$0.52	2012E	na	na	na
52 Week Low	\$0.18	2013E	na	na	na
		2014E	na	na	na

This afternoon, **Vulcan Minerals** announced that a special resolution will be voted on to spinout its potash and salt assets into a new corporation to be voted, on at the August 31, 2011 annual and special meeting in St. John's Newfoundland.

Vulcan is proposing to transfer certain mineral property assets in western Newfoundland with specific prospectivity for potash and salt to a new subsidiary corporation, Red Moon Potash Inc. It is proposed that shareholders of Vulcan will receive one Red Moon share for every 3.812 shares. Upon completion of the transaction, Red Moon will have 20.5 million shares outstanding. Vulcan will hold 5.5 million or 26.9% of the outstanding shares.

Both the management and board of directors of Vulcan will assume similar roles in Red Moon, and Red Moon will apply for a TSX Venture Exchange listing concurrent with a private placement. A National Instrument 43-101 compliant report titled "Bay St. George, Newfoundland and Labrador, Salt and Potash Resource Assessment" has been prepared for the Company and will be available on Sedar.

Evaporate Stratigraphy of the Maritimes Basin

Moncton Basin				Bay St. George Basin				
Age	Group	Formation	Member	Lithology	Member	Formation	Group	
Visean	Mabou	Undivided Units		Red to grey conglomerate; red and green mudstone and sandstone		Searston	Barachois	
				Grey-green claystone				
	Windsor	Cassidy Lake	Penobsquis	Salt	Grey to pale orange halite	Undifferentiated Upper Halite	Upper Halite	Robinsons River
			Upper Anhydrite		Dark greyish-blue massive anhydrite			
			Upper Halite	Coarse		Argillaceous, grey to pale orange halite		
				Laminated		Halite and sylvinite laminae of greyish-green clay		
				Sylvinite		Low-grade sylvinite and carnallite		
			Banded		Orange halite, reddish-purple halite and sylvinite	Undifferentiated Middle Halite	Middle Halite	
			Ore Zone		High-grade sylvinite associated with medium to coarse crystalline pale grey halite			
			Middle Halite	Red-brown		Red-brown argillaceous halite		
				Grey-green		Grey-green argillaceous halite		
			Basal Halite		Clean to anhydritic halite	Basal Halite		
	Upperton			Massive to finely laminated anhydrite	Anhydrite	Codroy Road		
	Macumber			Thinly bedded to laminated limestone	Limestone	Ship Cove		
Sussex	Hillsborough		Conglomerates, sandstone; minor mudstone	Fischells Conglomerate	Spout Falls	Anguille		

Source: Company presentation

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The Company has retained David C. Carter, P.Geo. of Hy-Grade Geoscience of Halifax to prepare a National Instrument 43-101 compliant report on the resource potential for potash and salt in the Company's Bay St. George project. Mr. Carter is a professional geoscientist with over 25 years' experience including full project evaluation and field management of potash and salt drill programs in Atlantic Canada.

The corporate re-organization will proceed by a plan of arrangement or other suitable transaction, subject to TSX Venture Exchange, regulator and court approval as well as shareholder approval.

Shareholders of Vulcan (as of the applicable record date) will receive shares in the new company on a pro-rata basis. It is anticipated at this time, subject to modification, that Vulcan Minerals will retain approximately 20% of the shares in the new company post-financing. Further details regarding the arrangement will be set out in an Information Circular to be sent to shareholders in advance of a shareholder's meeting to approve the transaction.

Background of Potash within the Bay St. George Sub-Basin

Vulcan has a 100% working interest in approximately 100,000 acres (1,462 mineral claims) within its Bay St. George oil and gas exploration leases. Throughout Vulcan's exploration activities within its Bay St. George property, it has acquired several 2-D seismic surveys and compiled all previous geologic and geophysical data for the area, from which Vulcan identified thick evaporate sequences that contain both salt and potash.

- Vulcan's Captain Cook well, drilled in 2003, encountered approximately 240 metres of anhydrite and 160 metres of halite (salt) including approximately 5 gross metres of potash.
- The Fischell's Brook salt dome intersected potash over a gross interval of approximately 5 metres grading from 0.1 to 19% K₂O.
- The Robinson mining hole encountered multiple interbeds of potash (1m to 8.7m thick) over an interval of 69.8 metres grading up to 6.3% potassium oxide (K₂O).

The potash zone encountered within the Captain Cook well does not occur in a low gravity, and Vulcan interprets this to mean it is part of a relatively undeformed section of the basin. This could potentially imply substantial thickness of potash at relatively shallow depth (less than 800 metres) in a stratified deposit.

Initial tests indicate that the evaporate package intersected within the Captain Cook well correlates (stratigraphically, geological time (Carboniferous) and depositional) with the potash interval identified in the Moncton Basin. Vulcan believes this demonstrates that there is potential for its Bay St. George claims to cover an area with the geologic potential to host commercial deposits. In Sussex, New Brunswick, Potash Corporation of Saskatchewan operates a potash mine that produces approximately 800,000 tons per year (Potash plans to expand the mine to produce a total of 2,000,000 tons per year) from the Moncton Basin. Both the Moncton Basin and the Bay St. George Basin are sub-basins of the larger Maritimes sedimentary basin.

In Close Proximity to Good Infrastructure

Vulcan's Bay St. George property is situated in western Newfoundland, approximately 70km from the city of Corner Brook (population of approximately 20,000) and 25km southeast of the town of Stephenville (population of approximately 8,000). Stephenville, which was formerly the site of the Harmon U.S. Air Force base, has significant infrastructure including an airport, modern harbour facilities and a paper mill. The Trans-Canada Highway intersects the eastern portion of Vulcan's Bay St. George property and several other roads pass through the permits. In nearby Turf Point is a 230 metre wharf loading facility that was built in the 1960s and refurbished in 1997. The facility was constructed to ship gypsum, and its loading rates range from 1,000 cubic metres to 3,500 cubic metres per hour. It is equipped with a conveyer system capable of loading ships.



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POTASH AND MARKET UPDATE

- **Agrium (TSX-AGU)** announced record Q2/11 earnings due to stronger pricing and volume across business units;
 - AGU announced record diluted EPS in Q2/11 of \$4.54, versus the consensus estimate of \$4.25; and
 - AGU will provide earnings guidance for the second half of the year upon release of its Q3 results;
- Indian buyers and multinational potash suppliers have announced new contract agreements;
 - Canpotex announced contracts with Coromandel International and Tata Chemicals to supply 670,000 tonnes for Q4/11 and Q1/12, at an average price of \$500/tonne CFR;
 - JSC Belarusian Potash Company (BPC) concluded a contract with Indian Potash Ltd (IPL) to supply 1.2 million tonnes of MOP through to March 2012, at a price of \$490/tonne; and
 - ICL Fertilizers also announced an agreement with IPL for 1 million tonnes of standard MOP (plus a 100,000 tonne option), at a price of \$490/tonne, for shipment this week.

PHOSPHATE MARKET UPDATE

- August price negotiations continue in the U.S.; pricing remains at \$610pst for DAP, significantly below replacement cost of imports from OCP Group (\$700 fob Morocco or ~\$660pst DAP/MAP).

SELECTED AGRICULTURAL COMMODITIES HIGHLIGHTS

- Agricultural commodity futures ended the week mixed. December corn was up over 5%, due to weather-related supply concerns.

OTHER HEADLINES THIS PAST WEEK

- **Asian Expansion;**
 - Cargill and CHS Inc. are in talks to expand their Pacific Northwest joint venture, TEMCO LLC; and
 - Bunge Ltd. is building a new \$200M export grain terminal in the Pacific Northwest, set to open this fall;
- **Canada's 2011-12 Grain Output Seen at 44.5M Tons - USDA;**
 - USDA forecasts total wheat, barley, corn and oats production to be 44.5 million tons, a marginal decrease from the 2010/2011 production level of 44.8 million tons, due to poor seeding weather this past spring.

Agricultural Commodity	Week End Aug 5th			Week End July 29th		
		Price	Change % Chg.	Price	Change % Chg.	
Potash - FOB Vancouver (Contract)	(US\$/tonne) FMB	\$420.00 - \$450.00	- 0.0%	\$450.00	- 0.0%	
Phosphate Rock - FOB N. Africa (69% BPL)	(US\$/tonne) FMB	\$200.00	- 0.0%	\$200.00	- 0.0%	
Corn (Dec 11)	(US\$/bushel) CBOT	\$7.03	\$0.34 +5.1%	\$6.69	(\$0.17) -2.4%	
Wheat (Sep 11)	(US\$/bushel) CBOT	\$6.79	\$0.07 +1.0%	\$6.73	(\$0.20) -2.9%	
Soybeans (Nov 11)	(US\$/bushel) CBOT	\$13.36	(\$0.21) -1.6%	\$13.57	(\$0.31) -2.2%	
Cotton #2 (Dec 11)	(US\$/lb) NYBOT/ICE	\$1.02	(\$0.0019) -(0.2%)	\$1.02	\$0.03 +3.2%	

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Revised Monthly

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