



**Michael S. (Mickey) Fulp
M.Sc., C.P.G.**

MercenaryGeologist.com
contact@mercenarygeologist.com

The Mercenary Geologist's REE Review:

The Anatomy and Dissection of a REE Junior: An Analyst's View

February 7, 2011

[Contact@MercenaryGeologist.com](mailto:contact@mercenarygeologist.com)

In previous musings (REE Reviews: [August 22, 2010](#); [October 4, 2010](#)), I assessed challenges the layman experiences in attempting to understand the technical information contained in news releases. I critiqued examples from Canadian and Australian-listed juniors that I felt were extremely misleading for the average investor.

I now dissect a rare earth element junior where in my view speculators are not doing proper due diligence. From the website:

Stans Energy Corp (RUU.V), with a strange symbol and an even stranger choice of countries in which to work in (Kyrgyz Republic), has been very busy of late promoting a former rare earth element mine that was operated by the Russians "[Back in the USSR](#)" days. My perusal of the company website raised several red flags aside from the once ubiquitous hammer and sickle that ruled this part of the Eastern Hemisphere from 1936 to 1991. Based on what is left unsaid, it appears this company has adopted an iron-curtain disclosure policy.

- The website gives no indication that management has junior resource company experience or any experience in rare earth elements. But they do have Russian connections.
- Nowhere could I find the company's share structure. I had to go to SEDAR.com and the latest MD&A to find that it has *132.7 million shares outstanding and 148.1 million shares fully diluted*. Yikes, that's well on the way to a terminal case of Aus disease. I guess that's why they want to stay quiet on the subject.
- There is no mention of the recent geopolitical upheaval in the Kyrgyz Republic including the April coup that overthrew the President, subsequent rioting, and ethnic violence against the Uzbek minority in the south that continued into June. Kyrgyzstan is rated as one of the ten most corrupt countries in the world.
- I did not find a corporate power point presentation anywhere on the company website.

- In December 2009 the company announced that a 43-101 resource estimate was to be commissioned on the Kutessay II deposit in Kyrgyzstan. There has been no mention of this study in the intervening 13 months.
- In early March a press release stated that Kutessay II was undergoing a JORC resource estimate. For the uninitiated, a JORC (Joint Ore Reserves Committee) estimate is the Australian equivalent of a 43-101 resource estimate. Why would a Toronto Venture Exchange company with no listing or physical presence in Australia choose to commission a JORC resource? It is now nearly 10 months later and no resource estimate has been produced.
- In February 2010, RUU took a 12 month option on an old Soviet metallurgical and chemical complex that concentrated, extracted, processed, and produced a wide variety of rare earth element products during the life of the mine. The option requires agreement on a purchase price, financing, and acquisition by February 2011. Stans recently announced a purchase price of \$5.5 million for the complex and a rail head terminal and an inventory study and appraisal of the four plants. Financing and acquisition remain to be completed.
- In a September press release, Stans Energy announced a relationship with a Russian state-owned institute to jointly pursue rare earth acquisitions in Russia. Recent investor relations material stated: “The two organizations are teaming up to jointly pursue rare earth acquisitions in Russia, marking the first time a state owned institute will pursue direct ownership in the development of rare earth properties.” Note that foreign investment in strategic resources in Russia is currently illegal. It also begs the question: Is a partnership with the Russian government a good thing for a public company?

Now let’s now dissect RUU’s website information about the Kutessay II flagship project and its latest press release:

- On December 14 Stans Energy reported results from a channel sampling program in an adit to validate old assay data from the Soviets. Although individual results varied widely, statistical analysis indicated that the means of the Soviet and RUU data were equal for a group of 170 samples. I examined the report and it appears methodically done in a workmanlike manner. The mean of these samples is 0.35% TREO indicating low grade rare earth mineralization but no average grade was given.
- Historic mining occurred in an open pit from 1958–1991. 5.45 million tonnes grading 0.41% REE were mined and 22,109 tonnes of REE were produced. The exact startup and end of mining are equivocal as other information on the website indicates 1966 and 1995 respectively.
- Concentration and recovery were low at 6.2% and 64.5% REM (rare earth metals) respectively. That means that 0.26% REMs were recovered from the metallurgical process.
- The deposit was enriched in HREEs with an average 47.2% with 26.7% of that as yttrium. The ore had significant quantities of currently high priced and scarce elements including neodymium, dysprosium, europium, and terbium.

Note that 0.41% REE mined and 0.26% recovered is very low grade and would have been well-below economic grades using Western World standards of profitability.

But it gets worse: In 1996 using substandard Soviet reserve categories, the Kyrgyz State Reserve Committee calculated 20.2 million tonnes of mineralized material remained at depth below the pit grading 0.22-0.27% rare earth metals using a 0.07% cutoff.

Folks, that's so low grade it's little more than a geochemical anomaly!

It appears to me that Stans Energy Corp's performance in 2010 is a classic case of rare earth hype and an *overpromise and under deliver* modus operandi.

There are now more than 200 public junior companies worldwide that have rare earth element projects ([Source: Intierra Mapping](#)). I estimate 95% of companies in this space are merely *mining the stock market*. In a speculative commodity or area play, the informed and diligent investor quickly can separate the few contenders from the many pretenders.

In my view, Stans Energy is a share-challenged issuer with management inexperienced in the junior resource sector and rare earth elements, holds a low grade, likely subeconomic REE deposit, and operates in a geopolitically unstable and corrupt country. I do not think the company's current share price of \$3.00 and market capitalization of nearly \$400 million are justified or deserved for the current level of development and past execution. It appears to be carried along in the speculative rare earth bubble. My concern is that promotional stories with no clear substance could do significant damage to the entire sector.

I solicit a response to my pointed opinions presented herein from Stans Energy Corp personnel, analysts, newsletter writers, and/or the Toronto-based promoters who have been pumping this stock via email blasts in early and late November, the end of December, mid-January, and early February (see correlative stock price and volume spikes below). Those promotional letters motivated me to investigate the company and write this missive.



I am not long or short Stans Energy; this is simply my view as an independent analyst. I will not predict an up or down side to the stock as it may continue to get swept along in the rare earth element craze by

Molycorp, as one of the ever-growing legion of minions ([REE Review, September 28, 2010](#)). However, its fundamentals do not meet my investment criteria so I will just stay away.

Never fail to do your own due diligence, *inversionistas!*

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [Mercenary Geologist Michael S. “Mickey” Fulp](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

Contact: Contact@MercenaryGeologist.com

Disclaimer: I am not a certified financial analyst, broker, or professional qualified to offer investment advice. Nothing in a report, commentary, this website, interview, and other content constitutes or can be construed as investment advice or an offer or solicitation to buy or sell stock. Information is obtained from research of public documents and content available on the company’s website, regulatory filings, various stock exchange websites, and stock information services, through discussions with company representatives, agents, other professionals and investors, and field visits. While the information is believed to be accurate and reliable, it is not guaranteed or implied to be so. The information may not be complete or correct; it is provided in good faith but without any legal responsibility or obligation to provide future updates. I accept no responsibility, or assume any liability, whatsoever, for any direct, indirect or consequential loss arising from the use of the information. The information contained in a report, commentary, this website, interview, and other content is subject to change without notice, may become outdated, and will not be updated. A report, commentary, this website, interview, and other content reflect my personal opinions and views and nothing more. All content of this website is subject to international copyright protection and no part or portion of this website, report, commentary, interview, and other content may be altered, reproduced, copied, emailed, faxed, or distributed in any form without the express written consent of Michael S. (Mickey) Fulp, Mercenary Geologist.com LLC.

[Copyright © 2011 MercenaryGeologist.com. LLC All Rights Reserved.](#)