



## What Do the Drill Results Mean? An Analyst's View Part II

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In a previous missive posted on August 21, I set the table for a feast of *humble pie* that will be served to a rare metals company today.

The lay investor often struggles with what drill results actually mean. And little wonder: Most junior resource companies employ college graduates with B.A.'s in English, Communications, or Journalism to handle corporate communications, investor relations, and public affairs, and to dress up their press releases for public consumption. In addition, juniors often have market savvy promoters at the top who are masters at making an ugly wart the company has on its face look like a beauty mark. These professionals are collectively known in the business as "The Spin Doctors".

Recently there was drill news from a company with a rare earth element play in northern Canada. I comment on essential points made in its press release:

- The project is located in the harsh boreal climate of far NE Quebec, 130 km from the nearest village.
- The company's first hole gave a thick intercept starting from surface to over 240 meters drill length. However, at 1.7% TREO over 212 meters, it is low grade compared to currently economic LREE-bearing carbonatite complexes at greater than 9.0% TREO.
- The company says: "*In increasing order, the four most abundant REE's reported are Praseodymium, Neodymium, Lanthanum and Cerium.*"

I have never seen elements listed in *increasing* order of abundance or the REEs listed in *reverse* order of their atomic numbers in the periodic table. This indicates the mineralization is dominated by the lowest priced LREEs La and Ce and there are minor amounts of the more valuable Pr and Nd.

- The hole was drilled with small diameter BTW core, which is not of widespread use in minerals exploration. The "TW" is an acronym for "Thin Wall" and means the drill is a small machine capable of being physically transported by laborers, pack animals, or helicopter. Therefore, the area must be remote and without road access.

- Three holes have been drilled from a “peninsula”. This means the target area is almost completely surrounded by water and could indicate that additional drilling must be done from the ice during the northern winter. The map linked to the press release is multi-colored and the “water body” shown in the legend is not discernible.
- The map shows two other holes have tested the zone with a 50 meter step out down dip and a 70 meter step out along strike; all three drilled to the SW. The company states the zones are moderate to steeping dipping with a NNW strike but specifically states that no true thickness can be estimated.

This is curious because knowing the strike direction, the true thickness of mineralization can be determined with two holes on the same section. No geological cross section is provided.

- This begs the question: Did they drill down the dip or oblique to the mineralization producing an intercept that is exaggerated compared to true thickness?
- It is uncommon for a company to release one hole at a time. Assay results from several holes usually are released together since they are reported in batches by the analytical lab. Results from the next two drill holes should give us some insight into the company’s plan to promote the stock.
- The company says: “*The...Zone remains open to the east, south, north, at depth and is not fully constrained to the west.*” Common sense dictates that it is open in all directions because there are only three drill holes completed so far and all collared in mineralization. A 13 hole program is scheduled this season but is unlikely to close off the mineralization in any direction because there are two previously drilled Nb-Ta targets still to be tested.
- There is a deeper zone that is slightly more than half the TREO grade and one tenth the thickness of the main zone. The company states that the neodymium to lanthanum ratio is higher in this deeper zone. However with much lower TREO, it is likely the overall Nd grade is less in this zone. It is unusual that the company published only the overall TREO grade and thickness and did not tabulate any assays in the press release.
- The company says: *The ... Project represents one of the largest carbonatite complexes known worldwide.* I would caution that the size of a potential mineral deposit does not often correlate with the size of the host rock body. This project was a Nb-Ta play that recently morphed into REEs, perhaps to capitalize on the sector frenzy.
- Comparing the access, infrastructure, and grades of the project with other REE-bearing carbonatite complexes that the company specifically mentions: Molycorp’s Mountain Pass mine in the California desert has an interstate highway bisecting the mine-mill-plant-research center complex with a resource of 20 million tonnes of 9.2 % TREO at a cut-off grade of 5%; Lynas Corporation’s Mt. Weld resource in Western Australia is 30 km from an arterial road and has 12 million tonnes of 9.7% TREO at a 2.5% cut-off; and Rare Earth Element’s Bear Lodge deposit in eastern Wyoming has local highway access with a resource of 17.5 million tonnes of about 3.5% TREO at 1.5% cut-off.
- The company states it had \$19.8 million of working capital on April 30, 2010. It raised \$32.7 million at \$1.20 to finance *niobium and tantalum* exploration in August 2007 and has spent well over \$13 million of investor money over the past three years.

The closing price of the company's stock on Friday was 40c, up nearly 20% in two days of trading since drill results were announced. After dissecting this press release in detail, it is my opinion the company's Spin Doctors did a really fine job.

Folks, I wrote this in RareMetal blog on July 21: "... five of six companies in REE space are merely mining the stock market. In a speculative commodity or area play, it is always wise to separate the very few contenders from the too-numerous-to-mention pretenders as soon as feasible."

I will let you decide into which category this company falls. As Otto sez: DYODD dudes and dudettes!

No dessert served.

Ciao for now,

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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.

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