



Mercenary Alert: Knockin' on Rocks at Norra Karr

**A Special Alert Musing from Mickey the Mercenary Geologist
For Subscribers Only**

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As part of an extended tour of Europe in May, I visited the **Norra Karr** rare earth element deposit of [Tasman Metals Ltd \(TSM.V\)](http://www.tasmanmetals.com) in southwestern Sweden.

I initiated coverage of Tasman Metals in the late spring of 2010 ([Mercenary Musing, May 31, 2010](http://www.mercenarygeologist.com/mercenary-musing-may-31-2010)). At the time it was trading at 97 cents. Within five weeks TSM had shed 40% of its value so my timing was poor. But it came roaring back with the booming rare earth element sector in the late third quarter, had doubled in four months, traded as high as \$5.98, and currently is about \$2.50. Tasman achieved a six bagger in less than eight months; not bad, huh?



My last update of Tasman was an Alert for subscribers only ([Mercenary Alert, September 7, 2011](http://www.mercenarygeologist.com/mercenary-alert-september-7-2011)) where I reported on its significant progress at Norra Karr over the past year. That includes: Completion of three rounds of drilling, an initial 43-101 resource and an update in progress, preliminary bench-scale metallurgical testing, a TSX Tier 1 listing and application for an AMEX listing, additions to the technical staff with an engineer as Vice-President of Corporate Development and a Swedish project manager, and initiation of a scoping study with delivery in early 2012.

Let's review the company's share structure: 58 million shares outstanding, 64 million fully diluted, market capitalization of \$175 million, and current cash position of over \$14 million. Insiders, family, and friends control 16%, institutions hold 15%, and it has a healthy retail float.

Tasman has 2.5 million in-the-money warrants at \$1.00 and \$1.85 that expire in March and November 2012 respectively. If all are exercised, they would supply an additional \$4.4 million in working capital. TSM's strong cash position means there is no urgency to go to the market for financing. However, I expect the company will raise additional funds for a pre-feasibility study within the next 12 months.

My Norra Karr tour started with a flight from Geneva to the Arlanda airport and a very expensive taxi ride into Stockholm in the late afternoon. From that experience I learned a lesson in arbitrage by using euros in a state that has its own currency (the krona, a part of the US dollar index). However, I never got used to the exorbitantly high prices in this social welfare state.

Tasman booked my hotel a bit late and there were no reasonably priced rooms in the core of Stockholm. So they graciously put me up in a corner suite at the Grand Hotel where I had a stupendous view of the harbor and Old Town, photographed thru a cold driving rain:



View of Old Town from the Grand Hotel

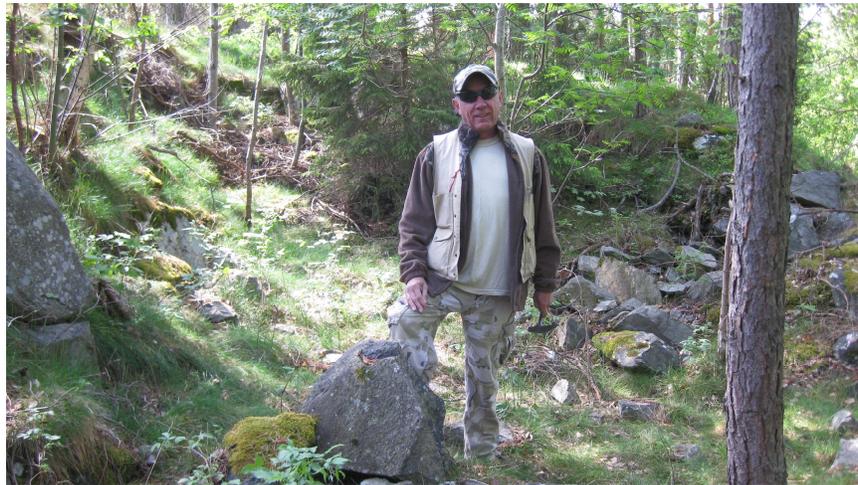
The next day I walked around Old Town, then ate a nice lunch along the water, and was met by project geologist Magnus Leijd in the early afternoon. We drove about three hours southwest on a four lane highway thru rolling hills, forest, and farmland and still had time for a stop at the project, located less than half a kilometer off the main road. There we looked at a high grade outcrop, the latest core, and the drill rig before driving a few kilometers to the lakeside village of Granna. Magnus and I enjoyed a typical Swedish dinner, accompanied by an interesting and spirited discussion, and undoubtedly fueled by one of Sweden's renowned distilled spirits.



High-grade Discovery Outcrop with Pink Zr-REE-Bearing Eudialyte

In the morning we reviewed project data at the hotel then went to the field to see outcrops of the various rock units. Magnus describes the deposit as a zirconium- and rare earth element-bearing mafic alkalic intrusive complex with a late-stage REE-bearing pegmatite overprint. I know that's a mouthful but it's just the way geologists talk.

We did a complete walking tour of nearly all the outcrops discovered so far. The area was first explored in the late 1940s for nepheline syenite, and in the 1970s for zirconium and hafnium. Here's an old test pit dug by Boliden, the large Swedish mining company:



Boliden Test Pit with Zirconium-Bearing Nepheline Syenite Boulders

The project area is largely covered by thin glacial till and lies in forested farm lands in a wet climate so outcrops are not very plentiful:



Farm at Entrance to Norra Karr Project

Magnus Leijd is pictured below with his geology map at one of the exposures:



Norra Karr Project Geologist Magnus Leijd

After a mostly rainy morning we made the short drive into Granna for a welcome hot lunch then went back to take a detailed look at core from recent drilling. Based on the geology map, Magnus laid out the

core specimens from footwall to hanging wall so I could get a handle on the spatial relationships between rock types:



Representative Split Cores of Norra Karr Rock Types

The zirconium and rare earth element mineralogy at Norra Karr is dominated by the mineral eudialyte, which is widely regarded as an important future source of the heavy rare earth elements. At Norra Karr HREEs comprise over 50% of the total REE content. This very high heavy content is one the reason I favor Tasman's project is over some competitors in the sector.

Mineralization consists mainly of eudialyte with subordinate catapleite and mossandrite and is contained in a gangue of feldspar, nepheline, and sodic pyroxene:



High-Grade Pegmatite with Scribe Pointing to Pink Eudialyte and Gray-Blue Catapleite

After spending a pleasant afternoon examining core and looking at the country rock outside the deposit, Magnus and I traveled three hours to a hotel near the Arlanda airport. Early the following morning I caught a flight to Tallinn, Estonia and met up with Tasman director Mike Hudson. The next leg of my

tour was a visit to Molycorp-Silmet's REE and specialty metal processing plant ([Mercenary Musing, June 6, 2011](#)).

Tasman has made remarkable progress by advancing the Norra Karr prospect into the fourth largest heavy rare earth element deposit in the world in less than two years . However, significant hurdles remain.

We will know a lot more about the project's potential economic viability when a scoping study is tabled in early 2012. Although preliminary bench scale metallurgical tests are positive, eudialyte is one of many REE-bearing silicates that have never been processed for rare earth elements. Much work remains to be done on the metallurgical and product marketing ends.

After my field due diligence at Norra Karr, I made a number of recommendations to Tasman Metals' senior management including:

- Improvement of QA/QC procedures for core preparation and assaying.
- Establishment of a field office and core processing facilities in Granna.
- Detailed outcrop mapping at Norra Karr.
- A district-wide to regional prospecting-mapping effort to discover other alkalic REE occurrences.
- Structural analysis of Norra Karr outcrops by an expert structural geologist and integration into the geological model.
- Geological staff additions to assist Project Geologist Magnus Leijd.
- Staff additions in engineering, project management, and REE market analysis.
- Seeking joint venture partners for non-core projects.

I am pleased to report that Tasman has implemented many of my recommendations and continues efforts on these fronts.

Tasman Metals' Norra Karr project has robust heavy rare earth element (HREE) grades and the deposit geometry would allow shallow open-pit mining with a low strip ratio. It is ideally located in a mining-friendly country with favorable mining law, royalty, taxation, and environmental regimes and a skilled labor force. Unlike other REE projects worldwide, the uranium and thorium contents are background levels and there will be no permitting hurdles because of radioactive waste generation.

The project has excellent infrastructure with adjacent four lane highway, abundant water resources, on-site power, rail within 20 km, and a deep water port 90 km away at Norkopping. The aforementioned Molycorp-Silmet REE-processing facility at Sillamae, Estonia is only 350 km across the ice-free Baltic Sea by cargo ship.

In addition to Norra Karr, Tasman controls all known REE prospects of significance in Scandinavia. The European Union has promulgated a policy of producing strategic metals within its borders and Tasman is the sole company positioned to accomplish this in the rare earth sector in the medium term.

In 2010 Tasman Metals Ltd rewarded my subscribers with a double and then a six bagger in short order. If speculators followed my Power of Two investing philosophy ([Mercenary Musing, May 8, 2010](#)), they took windfall profits in Tasman. Moreover, they may still own enough stock to play the company for the ultimate goal of a takeover, strategic alliance, off-take contract, joint-venture, or some other business combination. I expect significant progress by the company on these options in 2012. TSM has pending

near-term catalysts including a resource estimate utilizing 27 additional drill holes, a scoping study, and an AMEX listing; all are expected by early 2012.

That said and despite a most positive future outlook, it is time for me as a Mercenary (always for hire) to search, find, and write about new undervalued companies within the junior resource sector.

I wish my hard-working friends at Tasman Metals Ltd the very best of luck as they move Norra Karr toward a pre-feasibility study and beyond. Rest assured that I remain a dedicated founding shareholder of Tasman and will continue to spread the word to potential investors about this well-run company with the right combination of share structure, people, and a robust flagship project.

Stay tuned over the next couple of months for new contrarian ideas, commodities, and undervalued companies from the Mercenary Geologist.

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 over 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 24 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 and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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Disclaimer: I am a shareholder of Tasman Metals Ltd. 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

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