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Stans Energy

A rare earth elements company to watch

By Craig Stanley

Rare earth elements continue to garner a lot of investor attention within the junior mining sector.

Uses for REEs (elements 57 through 71 of the periodic table) have grown exponentially due to their unique chemical properties, making them integral in numerous components used by the automotive, defence, petroleum, electronics and green-energy industries.

Though the market is worth less than \$2 billion annually, there are no substitutes for rare earth elements in things such as electric cars, windmill motors and plasma TV screens but they generally comprise only a fraction of the product's final cost.

Almost a year ago, reports surfaced that China, which controls 95 per cent of global production, was planning to further tighten supply via production quotas, withdrawal of tax rebates, no new REE mining licences and enforcement of environmental legislation.

This led to a U.S. Government Accountability Office report outlining the lack of domestic supply, as well as the introduction in March of the Rare Earths Supply-Chain Technology and Resources Transformation Act of 2010 (RESTART Act) to the U.S. Congress. The U.S. Department of Defense is expected to publish



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its own report this September assessing the country's vulnerabilities.

In the mining space, the biggest news is the planned US\$350 million IPO of Molycorp Minerals and its past producing Mountain Pass mine in California. A plethora

of Canadian-listed junior miners have entered the space, though most of their projects are very early stage.

One way investors can quickly assess the quality of a junior's project is to look at the breakdown of light REEs (LREEs) versus heavy REEs (HREEs), as well as the minerals in which the REEs are hosted.

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Heavy REEs are those rare earth elements with atomic numbers greater than 62 (i.e., europium and higher) and are much more valuable than LREEs. In general, HREEs are found in peralkaline igneous rocks whereas LREEs are associated with carbonatites.

In regards to the host minerals, REEs are commonly found in both silicate (with names such as

eudialyte and britholite) and carbonate minerals. This is important to know as the recovery of rare earths from silicate minerals has never been done successfully on a commercial scale (the silica forms a gel, making it difficult to separate out the rare earths).

I don't want to suggest this issue will not be solved. For example, Alkane Resources Ltd. (ALK-ASX) claims it has recovered REEs hosted in silicates from its Dubbo project in Australia. The company is in the process of patenting the process so not much information has been released, and it is not clear if the process is economic.

Nevertheless, the restart of a mine where the REEs have been previously commercially extracted has much less risk than a newly discovered project with uncertain metallurgy.

One of the very companies that has a proven mine is **Stans Energy Corp.** (RUU-TSX/VEN, \$0.20), which owns the Kutessay II project in Kyrgyzstan that previously produced 80 per cent of the former Soviet Union's rare earths from 1960-199. This 30-plus years of proven metallurgy greatly de-risks the project. As well, half of the rare earths at Kutessay II are the more valuable HREEs. The mine also has by-product lead, zinc, silver, bismuth, molybdenum, thorium, tin, and copper (there is also the possibility that niobium, tantalum and hafnium can be recovered).

The mine has electrical power

on site, and is 43 kilometres from rail and 140 kilometres by paved road from Bishkek, the capital.

RUU also has an option to acquire the processing plants that recovered the REEs from the mine, as well as exploration licence on the surrounding ground. In addition it has a mining licence covering the Kalesay beryllium deposit

Kyrgyzstan has been in the news of late following the toppling of the government in April and the ethnic clashes in the south (RUU's Kutessay project is in the north). However, these events have not affected operations at **Centerra Gold Inc.'s** (CG-TSX, \$11) Kumtor gold mine that is forecast to produce 520,000-560,000 ounces this year.

Ambassador

Rodney Irwin, RUU's chairman, is the former Canadian ambassador to Russia and current honorary consul for the Kyrgyz Republic to Canada. Robert Mackay, is president and CEO and has extensive mining and capital markets experience.

The company has 141 million fully diluted shares plus \$1.1 million of working capital at March 31 plus \$2 million from the acceleration of warrants last month.

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