



The Mercenary Geologist's REE Review:

What Does the Press Release Really Mean? An Analyst's View

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In a previous missives posted on August 21 and August 23, I discussed the difficulty the lay investor often has with understanding what drill results actually mean and subsequently examined a particular example illustrating how savvy promoters can spin mediocre results. In this mini-musing I comment on a recent news release from an Australian junior explorer apparently new to the rare metals scene. It is my opinion that the release is misleading to the lay investor.

An excerpt from the news release entitled: "*Australian American Mining discovers large rare earth metals in US*" was posted recently on Rare Metal blog.

That blurb garnered my attention so I searched for Australian American Mining (AIW.ASX) and pulled up the press release. Here's what I found:

AusAmerican in potentially large Rare Earth/Specialist Metal discovery in Arizona, USA.

HIGHLIGHTS

- *Samples assayed show elevated values of Lithium, Niobium, Cesium and Tantalum specialist metals in pegmatite mineralisation as well as cerium and lanthanum rare earth elements.*
- *AusAmerican has staked seven lode claims comprising over 140 acres and applied for an additional 539 acres on area of interest.*
- *Potential for grade and size is significant. Extent of the outcropping of pegmatites is over 2.5 kilometres long and half a kilometre wide.*

Okay, well and good: Promotional but no big red flags for me except the hosts are complex pegmatites, which are usually small and seldom have the size and grade to make mineable ore bodies, especially in the southwestern United States.

But then it goes to hell in a hand basket in a hurry:

The land position is small, comprising a little over one square mile of land consisting of seven claims, including its pending mineral lease application from the State of Arizona.

These are pegmatites in the White Picacho area of west-central Arizona that were mined for feldspar on a small scale in the 1950s and “*one or two for lithium minerals or tantalum*”.

At that time there were Cold War-era stockpile programs subsidized by the US government for lithium used as triggers for hydrogen bombs and for tantalum used in capacitors.

The company goes into some detail about the collecting and examining of samples and metals that are enriched in the pegmatites including tantalum up to 0.42%, lithium up to 2.11%, and cesium up to 457 ppm. The “*samples were sent to a local laboratory for assaying*”.

It is curious that the lab is not named, we do not know if it is ISO-certified or even if it is reputable, and there are no details on what kind of samples were taken (e.g., grabs, rock chips, channel samples, etc). Sample weights of 1.1 to 3.1 kg would suggest they are either high grade grabs or select rock chips and likely are not representative samples.

Also I note that nowhere in the one page discussion is there any mention of the **niobium, cerium, or lanthanum** listed in the **HIGHLIGHTS** section above.

The company then discusses the “*potential for small to medium tonnage open-pittable ores*”. It intends “*to commence an exploration programme on this project as soon as possible with a view to drill testing the project in the near future*”.

Sounds good, no?

Except this is not “*a potentially large... discovery*” as written in the press release headline. These are actually ‘*small to medium*’ bodies that “*may contain more than 100,000 tons of material*”. 100,000 tons is miniscule. To put it into context, Quest Rare Minerals (QRM.V) investigated mining that much material in **25 days** in its recent scoping study.

For some reason this project is not listed on the company website. We find that Aus American Mining Corporation NL is not really a *mining* company; it is a uranium *explorer* with three flagship projects in Nevada, Texas, and New Mexico. In its most recent corporate presentation, AIW’s timeline shows these three projects are scheduled to be drilled in the second half of 2010 and feasibility and permitting carried out on two of them.

The company has over 160 million shares currently outstanding with an 18 month \$3.6 million debenture issued in tranches and converted to shares monthly over the period of the loan. It is currently trading at 7-8 cents Australian.

My conclusion is that Aus American’s focus is clearly on its US uranium assets. This press release appears to be simply a sidebar to capture a random slice of the REE stock market frenzy.

But wait; remember in the **HIGHLIGHTS** section of the press release where the company mentioned “*elevated values of ... specialist metals as well as rare earth elements cerium and lanthanum*”?

In the assay tables that conclude the press release, there are **no values listed for any of the 16 rare earth elements including cerium and lanthanum!**

Folks, remember what I wrote 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!

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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