

GBE.AU

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Rare Metals, Uranium, Fluorine
Malawi, Mozambique
Bankable Feasibility Study (BFS)
Exchanges: ASX:GBE

Globe Metals & Mining Limited

A\$ 0.32

GBE's share price has jumped 88% in 3 months due to the strong rare metals market - REE exploration results expected Oct '10. An A\$41m deal could see China's ECE gain 51% of GBE, with an eye to the 60Mt Kanyika Niobium Project (Malawi, BFS expected 2011).

Capital Profile

Share price (A\$)	0.32
52 week range (A\$/share)	0.12 to 0.51
Number of shares (m)	94
Options and warrants (m)	3.2
Performance shares (m)	5
Fully diluted (m)	102
Market capitalisation (undiluted) (A\$m)	30.1
Debt (A\$m) - Dec 10F	0.0
Enterprise value (A\$m)	30.1
Major shareholders: HSBC Custody Nom (7.6%) Ragusa Investments (6.7%), JP Morgan Nom (6.3%)	
Avg monthly volume (m)	11
Cash (A\$m) - Dec 10F	3.9
Price/Cash (x)	7.8
Price/Book (x)	1.6
Listed company options	No

Production and Financial Forecasts

YEAR END: June	Sep-10a	Dec-10F	2010a	2011F	2012F
Exploration and evaluation (A\$m)*	0.79	0.30	5.36	2.09	2.00
Corporate (A\$m)	0.29	0.35	1.03	1.34	1.40
Exploration/(Expl.+ Corporate) (%)	73	46	84	61	59
Funding duration at current burn (years)	1.4	5.9	0.4	5.4	29.4
Shares on issue (pr end) (m shares)	94.2	108.2	92.9	164.1	320.8
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	1,688	3,000	20,000	14,688	20,000
Land holding ('000 ha)*	279	279	279	279	279
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.00	3.50	5.29	44.50	93.75
Funding from JV partners (A\$m)	0.0	0.0	5.9	0.0	0.0
Cash (A\$m)	1.5	3.9	2.3	18.4	100.1
Cash backing (A\$/share)	1.6	3.6	2.5	11.2	31.2
Net asset backing (A\$/share)	16.9	17.5	17.3	36.2	46.8

Quarters refer to calendar year.

Investment Points

Valuation gap: Globe NAV (10% nom, 4Q10) based on scoping/feasibility study is A\$315m or ~A\$1.78/share post development funding - current market cap ~A\$30m.

Kanyika Project BFS results expected 2011. Scoping Study (Jun '08, Coffey; update May '09) - 4ktpa Nb as FeNb, opex US\$13/kg-US\$20/kg Nb, capex US\$155m.

Key economic driver is niobium, used in steel. Nb price is extremely stable, LT forecast US\$39/kg in FeNb, current US\$42/kg. Nb 70-85% revenue; tantalum 15-30%.

Planned 51% investment by China's ECE could bring initial A\$41m and lead to project funding, subject to government, shareholder approvals (possible Jan '11).

MOU's for offtake covering 45% of forecast production.

Portfolio of exploration projects in Africa. Drilling results expected Nov '10 from Machinga Project (REE, Nb, Ta).

Company Comment

Introduction: Globe Metals & Mining listed on the ASX in December 2005. It is an African-focused rare metals resource company. Its main project is the multi-commodity Kanyika Niobium Project. Globe also has exploration projects focused on rare metals, fluorite and uranium projects.

Investment by ECE: A A\$41m buy-in at A\$0.345/share could see the East China Mineral Exploration and Development Bureau own 51% of GBE. China consumes ~35% of global ferroniobium (FeNb) and ECE (a holder in ASX-listed REE player Arafura) plans to help GBE with project finance and development. Approval is needed from Malawi, China, Australia, shareholders (EGM called for Jan '10).

Kanyika (uranium, central Malawi): GBE is targeting rare metals (niobium, tantalum), zirconium and uranium mineralisation in an alkalic granitoid in central Malawi. The main ore minerals are disseminated pyrochlore (Nb, Ta, U) and zircon (Zr). GBE aims to bring Kanyika into production in late 2012, or 2013.

Resource and grade - The current resource is 60mt, with a recent 77% increase in Measured and Indicated tonnes (now 23Mt). The resource is defined to 300m width, 250m depth and 2.3km of ~3.8km known strike within 5 zones: 60mt @ 0.29% Nb₂O₅ (174kt), 0.009% U₃O₈ (11.9mbs), 0.014% Ta₂O₅ (18.5mbs) and 0.5% ZrSiO₄. There is a high-grade resource at 3,000ppm Nb₂O₅ cut-off, of 21mt with 0.41% Nb₂O₅ of which 10mt is M&I grading 0.47% Nb₂O₅. The deposit is open along strike in both directions (N-S). There is a high-grade Exploration Target of 40-50Mt @ 0.37-0.4% Nb₂O₅.

Metallurgy - GBE aims to produce ferro-niobium (FeNb) for the steel industry, as well as oxides of niobium, tantalum and uranium, and possibly magnetite (iron oxide) and zircon. Studies commenced in 2008: two initial phases reported encouraging costs and recoveries, and work is entering Stage 3 (bulk testing pilot program). Studies were on hold (dispute with former JV partner) but could restart in 4Q10.

Mining Potential - The deposit could be mined open-pit with low strip ratio of 0.5-0.9. Higher-grade, near surface Measured and Indicated resources could be targeted first (critical for early payback of capex). A Scoping Study (Coffey, Jun '08; updated May '09) examined 4ktpa Nb production as FeNb alloy, with 59tpa Ta₂O₅ and 11.4-13.7ktpa ZrSiO₄ (processing 2.2-3.5mtpa) with a 20yr LOM. Uranium would report to aluminous slag for potential future processing. Current (revised) model prefers mining 1.5mt-2.5mtpa, for 3,000tpa Nb and 192tpa Ta₂O₅ over life-of-mine. Capex US\$155m, opex US\$40.3/t. A Bankable Feasibility Study (BFS) is in progress, and a pit design should be completed 4Q10 (Coffey Mining).

Other Projects: GBE has exploration projects in Malawi and Mozambique that could provide positive newsflow in the near term. The main focus is **Machinga** (Southern Malawi), for pegmatite-hosted REE-Nb-Ta-Zr. Trenching in 2Q10 incl. 10m @ 1% TREO (total REO) and 0.5% Nb₂O₅, with 0.34% HREO. Drilling results expected early Nov '10. The **Mount Muambe Project** (REE-Fluorite) could be drilled in 4Q10 - surface sampling and re-sampling in 3Q10 turned up high REE values (peak >1.2% TREO) with av. 50% HREO/TREO in fluorite samples, including 168ppm dysprosium (a high-value element).

Investment Comment: GBE's share price has benefitted from the jump in REE prices in 3Q10. Our NAV for the company is A\$315m, or A\$1.78/share based on funding 50% of capex at A\$1.00/share. The sale of 51% to ECE for A\$41m at A\$0.375/share moves this NAV to A\$0.59/share, close to the 4Q07 high of +A\$0.60/share and a reasonable target, subject to ECE's investment and a successful BFS.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

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Nb, Ta, U	Classification	Project Equity	Ore Mt	Nb ₂ O ₅ %	c/off Nb ₂ O ₅ %	Ta ₂ O ₅ %	U ₃ O ₈ %	Nb ₂ O ₅ kt
Reserves			0.0	0.0		0.0	0.00	0.0
Resources								
Kanyika	Meas, Ind, Inf*	100%	60.0	0.29	0.15	0.014	0.009	174.0
Mineralised Material (est., non compliant with JORC)			0.0	0.0		0.0	0.00	0.0

*5Mt measured, 18Mt indicated, 37Mt inferred

Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Kanyika	100%	U (Nb, Ta)	none	Granitoid	Acid leach	BFS	MW
Machinga	0%/80%	REE	ASX:RSL	Pegmatite	na	Mid Expl	MW
Salambidwe	100%	REE	ASX:RSL	Pegmatite	na	Early Expl	MW
Mount Muambe	0%/90%	F, REE	none	Carb'tite	na	Early Expl	MZ
Livingstonia	100%/20%	U	ASX:RSL	S'stone	na	Adv Expl	MW

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Kanyika Project valuation: economics are sensitive to the niobium price, with RCR long term Nb price of US\$39/kg in ferroniobium (current is ~US\$42/kg). Our share price target for GBE is A\$1.25/share, post financing 50% of capex at A\$0.50/share.

GLOBE METALS AND MINING VALUATION						
				Target Price	Valuation Sensitivity (Low) (High)	
	Equity	Niobium (kt)	Valuation US\$/kg	A\$m	A\$m	A\$m
Projects						
+ Kanyika Resource	100%	174	1.04	227	23	730
+ Kanyika exploration	100%	160	0.38	76	4	21
+ Regional exploration	100%			10	5	20
Sub Total				313	32	771
+ Cash				3.9	3.9	3.9
+ Tax Losses				0.0	0.0	0.0
- Debt				0.0	0.0	0.0
- Corporate				1.9	1.9	1.9
Sub Total				2.0	2.0	2.0
GBE NET ASSET VALUE				315	34	773
Capital Structure						
Shares				94	94	94
Fully Diluted Shares				102	102	102
GBE NET ASSET VALUE PER SHARE			:A\$/share	3.35	0.36	8.22
GBE NET ASSET VALUE DILUTED			:A\$/share fully diluted	3.09	0.34	7.58
With dilution at A\$1/share to raise 50% of US\$150m			:A\$/share fully diluted	1.78		
With dilution at A\$0.50/share to raise 50% of US\$150m			:A\$/share fully diluted	1.25		
With dilution at A\$1/share, after sale of 51% for A\$41m cash			:A\$/share fully diluted	0.59		

KANYIKA SPECIALTY METALS PROJECT (NPV based on June 2010 resource, June 2008 Scoping Study and May 2009 update)

		Equity			Sensitivity		
LONG TERM NIOBIUM PRICE (per kg in FeNb alloy)^	:US\$/kg	25	35	45	55	65	
EXCHANGE RATE	:AUUS	0.80	0.80	0.80	0.80	0.80	
KANYIKA NPV @ 10% NOMINAL*	:A\$m	100%	27	210	381	574	757
KANYIKA NPV @ 10% NOMINAL*	:US\$m	100%	22	168	305	459	606
NPV/SHARE	:A\$/share		0.29	2.23	4.06	6.11	8.05

* Includes a pre-BFS discount of 30% of the project valuation: 30%

^aNiobium prices are modelled as flat line from start of production. Long term FeNb is US\$39/kg (Nb), Ta₂O₅ US\$65/lb, U₃O₈ US\$46/lb

GBE's equity assumed to be 100%; however, Govt of Malawi could hold 15% in return for fiscal trade-offs such as tax and royalty reductions

KANYIKA SPECIALTY METALS PROJECT KEY ASSUMPTIONS*

RESOURCE ESTIMATES						
Current JORC Indicated and Inferred resource (1,500ppmNb ₂ O ₅ cut-off)		Ore	Nb ₂ O ₅	Ta ₂ O ₅	ZrSiO ₄	U ₃ O ₈
		Mt	%	%	%	%
<i>Model does not include zircon production</i>		60	0.29	0.014	0.50	0.009
		Contained metal, mlbs	383.6	18.5	661.4	11.9
		Contained metal, kt	174.0	8.4	300.0	5.4
MINING METHOD		Open Pit				
PROCESS METHOD		Dedicated Specialty Metals Plant Concentrate: crush, gravity (incl. separation of zircon and magnetite), flotation. Downstream: weak then strong acid leaches, calcining (Nb, Ta, U), smelting with Fe (FeNb).				
PRODUCTION RATE		Year 1	Year 10	Head grade falls from 0.38% Nb ₂ O ₅ to 0.29% Nb ₂ O ₅		
	:mtpa	1.72	2.3			
	:tpa Nb	3,000	3,000			
	:strip ratio	0.6	1.9			
CAPITAL COSTS	:US\$	155m	Excludes working capital; sustaining capex \$4mpa.			
RECOVERIES TO CONCENTRATE	:%	65	All products (Nb, Ta, U)			
DOWNSTREAM RECOVERY	:%	69				
OPERATING COSTS	:US\$/t	40 to 43		(Includes US\$2.80/t mined, US\$26 to 34/t milled)		
TAX	:%	30		Company tax in Malawi		
ROYALTY	:%	3		ASX:PDN at Kayelekera pays 1.5% for first 3 yrs, then 3%		
MINE LIFE	:Years	10+				
COMMISSION DATE	:	3Q13				

* These figures are preliminary in nature and are intended to provide only a general indication of project potential scale and economic robustness. Considerable refinement may result from bankable feasibility study, expected in 2011.

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