

AUSTRALIAN

# RESEARCH

BLUE BOOK SERIES

## Junior Resources

June 2008 Quarterly Review

EXTRACT

Storm clouds darkening and China slowing

# Contents

This is an extract from the June 2008 Junior Resources Quarterly Review

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## Globe Metals & Mining (GBE)



<b>Sector</b> Materials	<b>Industry Group</b> Materials	<b>Industry</b> Metals & Mining	<b>Sub Industry</b> Precious Metals & Minerals
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### Company Overview

GBE is actively exploring for U3O8 in Malawi, where it has announced a JORC resource at its Kanyika Project. The current mineral resource is 56Mt at 2,600ppm Nb2O5, 70ppm U3O8, 120ppm Ta2O5 and 4,800ppm ZrSiO4. Kanyika has four revenue streams, with the biggest contribution from niobium (Nb). There are two other drill-ready targets; Livingstonia in Malawi and Salta in Argentina, where high-grade U3O8 is confirmed at Don Bosco. Other projects are being advanced in Tanzania and Zambia.

### Strategy

GBE has expanded its focus with the release of a 56Mt multi-metals resource at Kanyika. This resource announcement broadens GBE's portfolio beyond pure uranium exploration to a multi-metals play. GBE's primary focus during the year was advancing its key project Kanyika. The results of a scoping study have been announced. Results were encouraging and the project will be advanced. The Argentinean projects appear to be prospective, containing outcrops of the favourable Yacoraite sandstone.

### Aegis Comments as at July 2008.

**Outlook:** GBE has reported the largest JORC resource at its Kanyika Deposit in Malawi, which has exceeded expectations and stands at 56Mt containing 145,500t of Nb2O5, 4,000t of U3O8, 6,600t of Ta2O5 and 272,400t of ZrSiO4. The resource includes a higher-grade core of 14.1Mt, which is near surface. The deposit is open to the north, south and at depth. This is a niobium project with valuable by-product credits. This is an exploration success story that should move along the path to a feasibility study.

**Catalysts:** Milestones are catalysts for re-rating. GBE announced 56Mt Inferred mineral resource at Kanyika. Following the announcement of results from the scoping study the next milestones will be good exploration results that might significantly increase the resource and a decision to begin a bankable feasibility study. Good results from a 7,000m drilling program at the Livingstonia project in Malawi and/or from one of the Argentinean projects would be viewed as positive for the stock.

**Risks:** GBE has various exploration projects from early stages to advanced exploration. The Kanyika Project scoping study is positive but at this stage there is no guarantee that the project will proceed to development. Country risk is diversified, with operations in Malawi, Tanzania, Zambia and Argentina. The African countries carry higher country risk than Argentina. Potential for losing key staff, increasing costs of funding, and long-lead times for key items of equipment are matters for concern.

### Earnings Summary

Yr to Jun	NPAT Rep \$M	NPAT <sup>1</sup> Adj \$M	EPS <sup>1</sup> c	EPS chg %	PER x	PER rel All Ords x	PER rel Sector x	DPS c	Yield %	Franking %	ROE %
2006A	(0.4)	(0.4)	(1.2)	n/a	(21.7)	(1.3)	(1.3)	0.0	0.0	0	(34.7)
2007A	(1.7)	(1.7)	(4.2)	n/a	(6.2)	(0.4)	(0.4)	0.0	0.0	0	(42.9)

<sup>1</sup> NPAT and EPS are adjusted by removing non-recurring items. All the above statistics are derived from normalised earnings.

### Key investment information

<b>Price:</b>	<b>\$0.26</b>
Price as at:	11-Aug-08
Market Cap (\$M):	17.5
Equiv. Shares (M):	67.59
% All Ords:	0.00
12Mth Range (\$):	0.22 - 0.75
Shares Traded (\$M pa):	13.2
Listed since:	Dec 2005
Index:	n/a

### Share price performance



### Company contact

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## Financial Stability

Balance Sheet (Y/E Jun)	06A	07A
Net debt (cash) (\$M)	(4.1)	(10.2)
Total assets (\$M)	4.3	12.3
Net debt/equity (%)	(96.6)	(87.7)
Net interest cover (x)	n/a	n/a
NTA per share (\$)	0.10	0.19
Current ratio (x)	37.2	15.8

### As at 30-Jun-07

Net debt (cash) (\$M)	(10.0)
Net debt (cash) / shr (\$)	(0.15)
Net debt (cash) / MktCap (%)	(57.1)

### Substantial Shareholders

M Sumich	9.4%
TPG -Axon Capital Management, LP	8.9%
Gene Research Pty Ltd	8.1%

### Board

M Sumich (Managing Director)
D Sumich (Non Executive Chairman)
P J Van Der Borgh (Director)

## Differentiating Factors

GBE is an early-stage exploration company with a specific commodity focus on uranium. Although all of its projects are uranium based, they are geographically diverse, which somewhat mitigates company risk. Furthermore, its presence in several African countries and Argentina could allow GBE a first-mover advantage to evaluate new projects in respective or nearby countries.

## Achievements

The first two PLs were granted in Malawi in 1Q06. Soon after GBE announced a greenfields U discovery at Kanyika in central Malawi and reported high-grade mineralisation from Argentina. Kanyika is an exploration success story with the delineation of a significant JORC resource in only two years for minimal cost of A\$3M. Mineralisation was recorded at Chombe and significant values from other prospects. A U roll-front discovery was made at Livingstonia. A scoping study for Kanyika is well advanced.

## Recent Events

**30 June 2008 – Positive Scoping Study Results, Kanyika Project:** A scoping study has been completed on the Kanyika Project in central Malawi. Assuming 4000t Nb/year, there would be \$3B revenue and \$1.1B free cash flow over 20 years. The operating margins in year 1 would be \$93M, averaging \$77M for the life of the mine. CAPEX of \$177M is required upfront with a short payback of less than two years. Financial returns have potential to improve significantly with further work. The company is positioning itself for a strategic alliance and off-take partner.

**16 June 2008 – Resource Upgrade Drilling at Kanyika:** A 7,500m RC and diamond core drilling program has commenced and is due for completion end of August 2008. The primary objective is to upgrade the category of resource of the majority 14Mt, near-surface component of the 56Mt Inferred resource. The secondary objective is to explore for extensions at depth and along strike of high-grade areas in the Milenje Zone. The upgrade resource estimate is expected for 4Q08. The scoping study is on track to be released end of June 2008.

**22 May 2008 – Fourth Uranium EL Granted in Malawi:** A fourth Exclusive Prospecting Licence has been granted in central-western Malawi. The EL covers U-Nb-Ta-Zr and REEs. The total area under licence in Malawi is increased to 1,757km<sup>2</sup>. GBE applied for the EL because an airborne radiometric survey defined coincident U/Th anomalies. A reconnaissance exploration program will begin as soon as practicable to investigate the 1.5km by 1km to determine the potential for mineralisation. Work will include trenching and RC or percussion drilling.

## Capital Structure

GBE has issued 67.59M fully paid shares on issue. There are 5.9M unlisted options with exercise prices ranging from 30 cents to one dollar each. Options expiry dates range from 31.10.08 to 05.05.11.



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