

# GBE.AU

25 October 2010  
Rare Metals, Uranium, Fluorine  
Malawi, Mozambique  
Bankable Feasibility Study (BFS)  
Exchanges: ASX:GBE

## Globe Metals & Mining Limited

A\$ 0.45

**GBE's share price has jumped 107% in 3 months due to the strong rare metals market - REE exploration results expected Oct '10. Its main focus remains the 60Mt Kanyika Niobium Project (Malawi), for which a Bankable Feasibility Study is expected in 2011.**

### Capital Profile

Share price (A\$)	0.45
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)	41.9
Debt (A\$m) - Sep 10F	0.0
Enterprise value (A\$m)	41.9
Major shareholders: HSBC Custody Nom Nominees (7.6%) Ragusa Investments Ltd (6.7%), JP Morgan Nom (6.3%)	
Avg monthly volume (m)	10
Cash (A\$m) - Sep 10F	1.7
Price/Cash (x)	24.8
Price/Book (x)	2.6
Listed company options	No

### Investment Points

Valuation gap: Globe NAV (10% nom, 3Q10) based on scoping/feasibility study is A\$315m or ~A\$1.25/share post development funding - current market cap ~A\$42m.

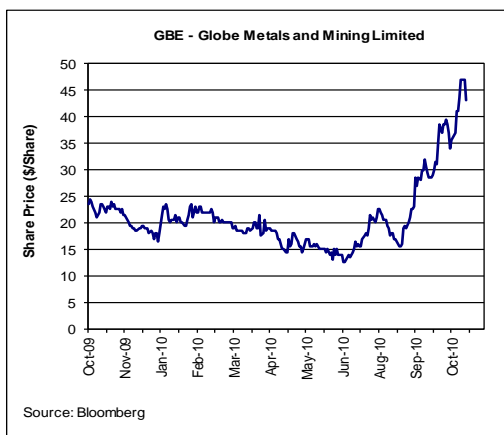
Kanyika Project BFS results expected 2011. Scoping Study (Jun '08, Coffey; update May '09) - 4ktpa Nb as FeNb, opex US\$13/kg-US\$20/kg Nb, capex US\$155m.

Key economic driver is niobium, used in steel. Nb price is extremely stable, LT forecast US\$39/kg in FeNb, current US\$43/kg. Nb 70-85% revenue; tantalum 15-30%.

Kanyika resource of 60mt has 174kt Nb<sub>2</sub>O<sub>5</sub> grading 0.29%, with 18.5mlbs tantalum as Ta<sub>2</sub>O<sub>5</sub> and 11.9mlbs U<sub>3</sub>O<sub>8</sub>, with 23mt Measured and Indicated.

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

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



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### Production and Financial Forecasts

YEAR END: June	Jun-10a	Sep-10F	2010a	2011F	2012F
Exploration and evaluation (A\$m)*	2.38	0.30	5.36	1.80	2.00
Corporate (A\$m)	0.19	0.35	1.03	1.40	1.40
Exploration/(Expl.+ Corporate) (%)	93	46	84	56	59
Funding duration at current burn (years)	0.9	2.6	0.4	0.7	24.4
Shares on issue (pr end) (m shares)	93.8	94.2	92.9	104.7	202.0
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	5,000	1,688	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	0.00	5.29	3.50	93.75
Funding from JV partners (A\$m)	1.2	0.0	5.9	0.0	0.0
Cash (A\$m)	2.3	1.7	2.3	2.1	83.0
Cash backing (Ac/share)	2.5	1.8	2.5	2.0	41.1
Net asset backing (Ac/share)	17.0	17.0	17.3	17.1	53.4

\* Exploration June 2010 includes JV contribution  
Quarters refer to calendar year.

### 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.

**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% Nb<sub>2</sub>O<sub>5</sub> (174kt), 0.009% U<sub>3</sub>O<sub>8</sub> (11.9mlbs), 0.014% Ta<sub>2</sub>O<sub>5</sub> (18.5mlbs) and 0.5% ZrSiO<sub>4</sub>. There is a high-grade resource at 3,000ppm Nb<sub>2</sub>O<sub>5</sub> cut-off, of 21mt with 0.41% Nb<sub>2</sub>O<sub>5</sub> of which 10mt is M&I grading 0.47% Nb<sub>2</sub>O<sub>5</sub>. 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% Nb<sub>2</sub>O<sub>5</sub>.

**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 Ta<sub>2</sub>O<sub>5</sub> and 11.4-13.7ktpa ZrSiO<sub>4</sub> (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 Ta<sub>2</sub>O<sub>5</sub> 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 in 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 on **Machinga** (Southern Malawi), for pegmatite-hosted REE-Nb-Ta-Zr. Trenching in 2Q10 included 10m @ 1% TREO (total REO) and 0.5% Nb<sub>2</sub>O<sub>5</sub>, with 0.34% HREO. Drilling results expected Oct '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 average 50% HREO/TREO in fluorite samples, including 168ppm dysprosium (a high-value element).

**Investment Comment:** Last quarter, we said "GBE's share price could pass A\$0.50 as Kanyika milestones are reached", including the BFS and permitting, with other potential value drivers being exploration success, establishing ore reserves at Kanyika, project funding in 2011; and increasing commodity prices. This share price was reached in Oct '10, more quickly than anticipated, due to increasing REE prices in an unpredictable and China-dominated market (which has affected all REE equities). Our NAV for Globe is A\$315m, or A\$1.25/share based on funding 50% of capex at A\$0.50/share. The next sp levels on the upside could be the 4Q07 high of +A\$0.60/share, and the 2Q07, 5-year high of A\$1/share.

### 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 <sub>2</sub> O <sub>5</sub> %	c/off Nb <sub>2</sub> O <sub>5</sub> %	Ta <sub>2</sub> O <sub>5</sub> %	U <sub>3</sub> O <sub>8</sub> %	Nb <sub>2</sub> O <sub>5</sub> kt
<b>Reserves</b>			0.0	0.0		0.0	0.00	0.0
<b>Resources</b>								
Kanyika	Meas, Ind, Inf*	100%	60.0	0.29	0.15	0.014	0.009	174.0
<b>Mineralised Material</b> (est., non compliant with JOR)			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

**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\$43/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	
	Equity	Niobium (kt)	Valuation US\$/kg	A\$m	(Low) A\$m	(High) A\$m
<b>Projects</b>						
+ Kanyika Resource	100%	174.00	1.04	227	23	730
+ Kanyika exploration	100%	160.00	0.38	76	4	21
+ Regional exploration	100%			10	5	20
Sub Total				313	32	771
+ Cash				4.2	4.2	4.2
+ Tax Losses				0.0	0.0	0.0
- Debt				0.0	0.0	0.0
- Corporate				1.9	1.9	1.9
Sub Total				2.3	2.3	2.3
<b>GBE NET ASSET VALUE</b>				<b>315</b>	<b>34</b>	<b>773</b>
<b>Capital Structure</b>						
Shares				94	94	94
Fully Diluted Shares				102	102	102
<b>GBE NET ASSET VALUE PER SHARE</b>			<b>:A\$/share</b>	<b>3.35</b>	<b>0.37</b>	<b>8.23</b>
<b>GBE NET ASSET VALUE DILUTED</b>			<b>:A\$/share fully diluted</b>	<b>3.09</b>	<b>0.34</b>	<b>7.59</b>
With dilution at A\$1/share to raise 50% of US\$150m			<b>:A\$/share fully diluted</b>	<b>1.78</b>		
With dilution at A\$0.50/share to raise 50% of US\$150m			<b>:A\$/share fully diluted</b>	<b>1.25</b>		

**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
KANYIKA NPV @ 10% NOMINAL*	:US\$m	100%	22	168	305	459
<b>NPV/SHARE</b>	<b>:A\$/share</b>	<b>0.29</b>	<b>2.23</b>	<b>4.06</b>	<b>6.11</b>	<b>8.05</b>
* Includes a pre-BFS discount of 30% of the project valuation:		30%				
^Niobium prices are modelled as flat line from start of production. Long term FeNb is US\$39/kg (Nb), Ta <sub>2</sub> O <sub>5</sub> US\$65/lb, U <sub>3</sub> O <sub>8</sub> US\$46/lb						
<b>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</b>						

**KANYIKA SPECIALTY METALS PROJECT KEY ASSUMPTIONS\***

RESOURCE ESTIMATES						
Current JORC Indicated and Inferred resource (1,500ppm Nb <sub>2</sub> O <sub>5</sub> cut-off)		<b>Ore</b>	<b>Nb<sub>2</sub>O<sub>5</sub></b>	<b>Ta<sub>2</sub>O<sub>5</sub></b>	<b>ZrSiO<sub>4</sub></b>	<b>U<sub>3</sub>O<sub>8</sub></b>
		<b>Mt</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<i>Model does not include zircon production</i>		60	0.29	0.014	0.50	0.009
		<b>Contained metal, mlbs</b>	<b>383.6</b>	<b>18.5</b>	<b>661.4</b>	<b>11.9</b>
		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		<b>Year 1</b>	<b>Year 10</b>	Head grade falls from 0.38% Nb <sub>2</sub> O <sub>5</sub> to 0.29% Nb <sub>2</sub> O <sub>5</sub>		
	: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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