

GBE.AU

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

## Globe Metals &amp; Mining Limited

A\$ 0.31

**An A\$41m investment by China's ECE in the 60Mt Kanyika Niobium Project (Malawi) should go ahead in 1Q11, paving the way for a completed BFS. Exploration programs at Machinga and Mount Muambe have found highly encouraging levels of rare earths.**

## Capital Profile

Share price (A\$)	0.31
52 week range (A\$/share)	0.12 to 0.51
Number of shares (m)	101
Options and warrants (m)	2.2
Performance shares (m)	5
Fully diluted (m)	108
Market capitalisation (undiluted) (A\$m)	30.8
Debt (A\$m) - Mar 11F	0.0
Enterprise value (A\$m)	30.8
Major shareholders: HSBC Custody Nom (7.6%)	
Ragusa Investments (6.7%), JP Morgan Nom (6.3%)	
Avg monthly volume (m)	9
Cash (A\$m) - Mar 11F	41.4
Price/Cash (x)	0.7
Price/Book (x)	0.5
Listed company options	No

## Investment Points

Valuation gap: Globe NAV (10% nom, 1Q11) based on scoping/feasibility study is A\$0.61/share post ECE investment, DFS and development funding.

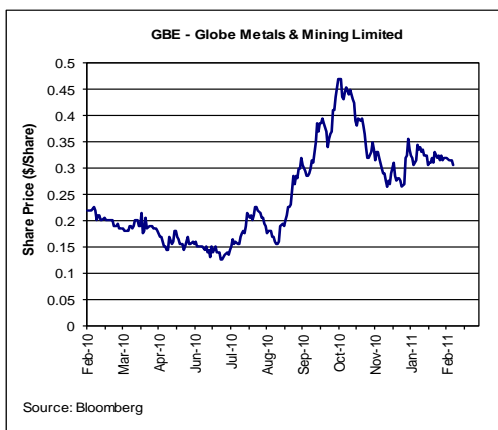
Kanyika Project BFS results due 2011. Expected production is 4ktpa Nb as FeNb, opex US\$13/kg-US\$20/kg Nb, capex US\$155m.

Key economic driver is niobium, used in steel. Nb price is extremely stable, LT forecast US\$39/kg in FeNb, current US\$53.8/kg (CN). Nb 70-85% revenue; tantalum 15-30%.

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

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

Portfolio of exploration projects in Africa. Strong HREE drilling results from Machinga Project (REE, Nb, Ta) in Jan '11; results from Mt Muambe (REE, F) expected Feb '11.



## Production and Financial Forecasts

YEAR END: June	Dec-10a	Mar-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)*	0.97	0.50	5.36	2.76	2.00
Corporate (A\$m)	0.53	0.35	1.03	1.52	1.40
Exploration/(Expl.+ Corporate) (%)	65	59	84	65	59
Funding duration at current burn (years)	1.0	48.8	0.4	3.7	28.7
Shares on issue (pr end) (m shares)	101.0	219.8	92.9	158.7	313.6
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	3,000	5,000	20,000	14,688	20,000
Land holding ('000 ha)*	279	279	279	279	279
Tenement costs (\$/k per year)	-	-	-	-	-
Capital raisings (A\$m)	1.48	41.00	5.29	42.48	93.75
Funding from JV partners (A\$m)	0.0	0.0	5.9	16.0	0.0
Cash (A\$m)	1.5	41.4	2.3	0.0	97.5
Cash backing (Ac/share)	1.5	18.9	2.5	10.1	31.1
Net asset backing (Ac/share)	16.7	26.1	17.3	36.1	47.2

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.

**Investment by ECE:** An A\$41m buy-in at A\$0.345/share should see the East China Mineral Exploration and Development Bureau own 51% of GBE. ECE plans to help GBE with project finance and development. Government approvals have been received; the deal should be finalised at an EGM in Mar '11. In the interim, A\$1.35m working capital was raised at A\$0.25 in Dec '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% 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. Two initial study phases reported encouraging costs and recoveries. Results for Stage 3 (bulk testing pilot program) are expected.

**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) and subsequent updates propose mining 1.5mt-2.5mtpa, for 3,000tpa Nb as FeNb alloy and 192tpa Ta<sub>2</sub>O<sub>5</sub> over 20 year life-of-mine, with 11.4-13.7ktpa ZrSiO<sub>4</sub>, and uranium reporting to aluminous slag for potential future processing. Opex expected to be US\$40.3/t. Capex is US\$155m; a planned US\$351m investment by the USA in Malawi's power sector could lead to grid supply for Kanyika and reduce capital costs. A Development Agreement between Globe and Malawi, similar to that over the Kayelekera Uranium Mine (ASX:PDN), is expected in 3Q11 and could lead to a Mining Licence. **An EIA and Bankable Feasibility Study (BFS) are in progress.**

**Other Projects:** GBE has promising exploration projects in Malawi and Mozambique. The main focus is Machinga (manager ASX:RSL), for pegmatite-hosted REE-Nb-Ta-Zr. Drilling found heavy REE, with 11m @ 1.0% TREO (total REO) and 330ppm dysprosium oxide (a high-value element), with av. 32% HREO. Drilling results from the **Mount Muambe Project** (REE-Fluorite) are expected Feb '11. Surface samples show high REE values (peak >1.2% TREO) with av. 29% HREO/TREO. Further is planned for 2011.

**Investment Comment:** GBE's share price has benefited from exploration success and the 2H10 jump in REE prices. Company NAV is A\$328m, or A\$1.84/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\$0.61/share, above 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)

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

\*5M measured, 18M Indicated, 37M Inferred

## Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Project 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'tone	na	Adv Expl	MW

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**Kanyika Project valuation: economics are sensitive to the niobium price, with RCR long term Nb at US\$39/kg in ferroniobium (current is ~US\$54/kg). Our share price target for GBE is A\$0.61/share, post financing 50% of capex at A\$0.50/share and the sale to ECE.**

GLOBE METALS AND MINING VALUATION							
	Equity	Niobium	Valuation	Target Price	Valuation Sensitivity		
		(kt)	US\$/kg	A\$m	(Low)	(High)	
Projects					A\$m	A\$m	A\$m
+ Kanyika Resource	100%	174	1.10	234	23	730	
+ Kanyika exploration	100%	160	0.20	39	5	98	
+ Regional exploration	100%			15	10	25	
Sub Total				288	38	853	
+ Cash				41.4	41.4	41.4	
+ Tax Losses				0.0	0.0	0.0	
- Debt				0.0	0.0	0.0	
- Corporate				1.7	1.7	1.7	
Sub Total				39.7	39.7	39.7	
<b>GBE NET ASSET VALUE</b>				<b>328</b>	<b>78</b>	<b>892</b>	
<b>Capital Structure</b>							
Shares				101	101	101	
Fully Diluted Shares				103	103	103	
<b>GBE NET ASSET VALUE PER SHARE</b>			:A\$/share	<b>3.24</b>	<b>0.77</b>	<b>8.83</b>	
<b>GBE NET ASSET VALUE DILUTED</b>			:A\$/share fully diluted	<b>3.18</b>	<b>0.76</b>	<b>8.65</b>	
With dilution at A\$1/share to raise 50% of US\$150m			:A\$/share fully diluted	<b>1.84</b>			
With dilution at A\$0.50/share to raise 50% of US\$150m			:A\$/share fully diluted	<b>1.29</b>			
With dilution at A\$1/share, after sale of 51% for A\$41m cash			:A\$/share fully diluted	<b>0.61</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	0.82	0.82	0.82	0.82	0.82	
KANYIKA NPV @ 10% NOMINAL*	:A\$m	100%	-31	159	348	538	727
KANYIKA NPV @ 10% NOMINAL*	:US\$m	100%	-25	130	286	441	596
<b>NPV/SHARE</b>	<b>:A\$/share</b>		<b>-0.30</b>	<b>1.57</b>	<b>3.45</b>	<b>5.32</b>	<b>7.20</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\$55/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*							
<b>RESOURCE ESTIMATES</b>							
Current JORC Indicated and Inferred resource (1,500ppm Nb <sub>2</sub> O <sub>5</sub> cut-off)	Ore	Nb <sub>2</sub> O <sub>5</sub>	Ta <sub>2</sub> O <sub>5</sub>	ZrSiO <sub>4</sub>	U <sub>3</sub> O <sub>8</sub>		
	Mt	%	%	%	%		
Model does not include zircon production	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).						
		Year 1	Year 10				
PRODUCTION RATE	:mtpa	1.72	2.3	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>			
	: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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