Globe Metals & Mining Limited

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Title: "Company Insight – Globe's Kanyika Niobium Project"

Highlights of Interview

- **Overview of the Kanyika Niobium Project in Malawi**
- **Explains the uses and limited substitutability of niobium, and why the niobium market has underlying strength**
- **Discusses recent advances in the Project, and the underlying value drivers being examined in the DFS - due for completion in December 2012**
- **Summarises Globe's overall corporate strategy to add value for shareholders and the importance of the ECE relationship**

Record of interview:

In this first interview with Mark Sumich, Managing Director of Globe Metals & Mining Limited (ASX code: GBE; market cap ~$38m) we introduce the Company's most advanced project, the Kanyika Niobium Project in central Malawi. The Company also has the Mount Muambe Rare Earths-Fluorite Project in neighbouring Mozambique, which has just announced exciting new rare earth discoveries, the prospective titanium-iron Memba Project in Mozambique, and other less advanced exploration projects in Malawi.

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The Kanyika Niobium Project is Globe's flagship project. In broad terms, what are the commercial dimensions of the Project that the definitive feasibility study (DFS) is examining? What stage of advancement has the Project reached?

Mark Sumich
We can confirm the DFS is due for completion in December 2012 and is currently testing all the scoping parameters underlying an economic model with capex of around A$220 million (including contingency), an IRR of roughly 23%, an NPV of about $300 million, and a payback

of about 3 years. We're conducting as part of the DFS significant infill drilling with the aim of achieving proven and probable reserve categories to support 20 years of annual production at 3,000 tonnes per annum of niobium, sold as ferro-niobium (about 65% niobium and 35% iron). There will also be tantalum and uranium credits.

A detailed schedule of DFS activity can be found in our latest investor presentation.

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What are the physical features and commercial attraction of niobium?

Mark Sumich
Niobium gives enhanced tensile strength and flexibility to steel, allowing weight reduction. About 500 grams per tonne will triple tensile strength. Applications for sophisticated steels include automotive, civil engineering products and oil and gas pipeline.

There are two aspects about niobium we especially like. Since about 90% of niobium is used as an additive to create high quality steels, demand for niobium is linked directly to growing steel markets. Secondly, the increasing sophistication of developing nations such as China and India is driving growth in niobium, in excess of steel growth, as these countries' demand for sophisticated steels increases.

These excellent dynamics are likely to continue for the foreseeable future and are supported by a consistent 15 to 20 year historical trend.

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How large is the global niobium market and where are the global sources of demand?

Mark Sumich
The global market is currently about 60,000 tonnes of metal growing at 10% per annum. The global market therefore has plenty of room to accommodate Globe's 3,000 tonnes of production, A$200 million in annual revenues and 40% margins – the key parameters upon which our paybacks and returns are based.

China makes up around 25-30% of current consumption and easily more than 50% of the growth – but provides only 2% of the production. The two key producers are in Brazil and Canada. Niobium is one of the ten or so important strategic metals for China (a reason why Globe has attracted a significant Chinese shareholder) and the metal is also accorded a similar high strategic priority by the US Government, the European Union and the British Geological Survey.

We also like the market dynamics. It is a very stable market, there is a lead producer in Brazil - CBMM that sets prices with key customers and everyone else broadly follows. That has been the market dynamic for a number of years. We find this an attractive pricing environment that will give our Project cashflows an enhanced degree of stability.

Niobium also has the considerable advantage that it involves a relatively small cost component of steel mills' total production costs - but the performance enhancement niobium creates is very significant.

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To what extent are other metals substitutable for niobium?

Mark Sumich
Niobium is partly substitutable in some construction steels. Vanadium is essentially a 'poor man's niobium' because price volatility is quite extreme and you typically need about 2 to 3 times as much vanadium for the same performance enhancement that niobium provides.

In oil and gas, niobium really has no substitute. In extreme temperature applications – such as desert, tropical or Arctic gas conditions - basic pipeline steel will warp, crack and fracture. Niobium overcomes these problems. In Russia, niobium consumption is expected to increase five-fold over the next ten years.

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What are the main commercial and other hurdles to be overcome to bring the Project to production? What major environmental, social and legal hurdles remain?

Mark Sumich
As we seek to bring the Kanyika Niobium Project to production in 2015, one major commercial consideration is customers. We do not produce an LME-traded commodity, so we have to locate our own buyers, and we'll be looking for one or two cornerstone steel mills - probably in China - to provide ferro-niobium offtake agreements. This will underwrite cashflows - which will in turn support project debt financing in the development package. We are already investigating these opportunities, leveraging our relationship with ECE as a portal into partners, financiers and customers.

Kanyika is well located. It is about 2 ½ hours outside Lilongwe (Malawi's capital) off the main north-south trunk route. It is flat country and relatively sparsely populated. Water is present on site, and power will be diesel generated. We'll investigate alternative power sources over time – but our key priority is to bring the project into production and bring value to our shareholders.

We will also need to reach a Development Agreement with the Malawi Government – this is a trade-off between the Government of Malawi acquiring equity in the project in exchange for fiscal concessions to the Project. The final key hurdle is the grant of the mining licence, which we will apply for upon completion of the DFS.

We are looking to complete the DFS by December 2012, and bring the project into production in 2015.

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Overall, what are the other main provisos attached to the Company's assessments about the Project's economics, commercial value and ability to be financed?

Mark Sumich
The key operating variables are recovery, prices and power. We're very comfortable to date with the metallurgy and recoveries. As noted above, we're using diesel as a base case for power: this is because our focus is on DFS timelines, and commercialising the Kanyika opportunity on a timely basis.

Over the next 5 years, we will see a developing power grid in southern Africa - extending into Malawi - using coal, hydro or possibly natural gas and ethanol. Mozambique will be a huge net exporter of energy into Southern Africa. There isn't enough grid power capacity in Malawi currently and reliability is an issue, but as power alternatives are beginning to proliferate in the region, we see potential project upside as energy costs fall.

Malawi is a relatively poor country. There's a legitimate expectation to employ locals where you can, which has to be tempered with the reality that particular skills probably won't be there. Our DFS incorporates the costs of outside consultants and expatriates – mainly from Canada and Australia. The build-phase will significantly increase local involvement – and with a commitment to training and development over time – we're confident we'll be able to build local capacity with the core skill sets required for most roles.

The Project's capital cost is about A$220 million. This makes it a smaller-to-medium–sized project that is 'do-able' in terms of financing. The appetite for project debt in China is very strong, and we've had some preliminary discussions there via ECE. It is likely that the lead project financier would come from China, especially since China has a natural interest in financing strategic speciality metals where there is little Chinese domestic supply.

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How would you summarise Globe's overall corporate strategy to add value for shareholders? How does the ECE transaction fit into this strategy?

Mark Sumich
First, as we advance Kanyika the NPV implicit in the Project will increasingly become reflected in the share price. Since most investors see the DFS itself as an important price catalyst, as we progress the Project through this trigger point and on towards production, the Project's NPV will be incorporated into the price at a greater rate than before.

Secondly, we have introduced ECE as our strategic partner in the short, medium and long-term. They have a real interest in developing specialty metals – and we expect they will be able to introduce us to project finance, customers, and project partners. Our ECE relationship gives us a tangible basis to advance good projects such as Kanyika through the true value-creation stages. Thus, we believe we can strongly differentiate Kanyika from many other speciality metals projects - that have tended to become just a dead resource and a spreadsheet.

Thirdly, and over time, we will attract partners in the exploration and development stages of our projects though project and capital investments, off-take arrangements or other initiatives. We want to achieve value increases, and our ECE engagement is one example of how we can do that.

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Thank you, Mark.