

Why Are Gold Producers Investing In Niobium? By Jeb Handwerger

One of our credos are that we are always on the search for investment opportunities that have a chance of making geometric gains. We are on the alert for new discoveries to bring to our reader’s attention. Such investigation requires the skills of a Sherlock Holmes.

We sift through potential candidates in the strategic resource area where some of the homework has already been done for us by the American Government. High on their list is the element niobium. Niobium is used to make superalloys important to the defense of the United States as well as essential to industrial development. All of the niobium in the United States is imported.

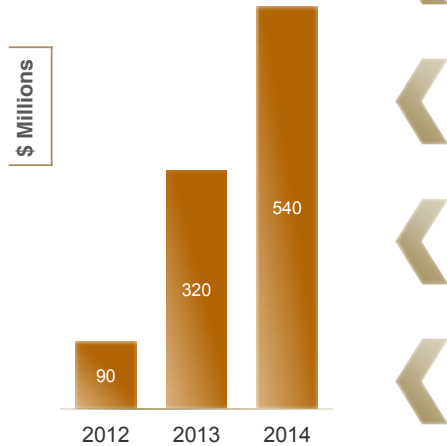
That is only the beginning in the hunt for an eligible candidate that may provide the key to discovering those equities that are associated with niobium mine development. Surprisingly there are only three global producers of niobium. Only one is in the Northern Hemisphere, Niobec, operated by Iamgold.

Planned Capital and Potential Funding Sources for Niobec



After-tax NAV
of Niobec:
\$1.6B-\$2.0B

Planned Capital Expenditure



Niobec Free Cash Flow



Sale of 10-20% minority interest



Niobec credit facility



Niobec IPO



Niobec expansion will be self-funding



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They just announced a \$950 million dollar initiative to triple their niobium production in Quebec. Why is a gold producer segueing into expanding their niobium production? The answer is...Iamgold sees substantial profits and a high rate of return on their investment in this strategic metal.

What are some of the unique uses of niobium that a major gold producer finds so attractive? In this age of energy conservation intrinsic in the production of lighter and stronger metal alloys,

niobium presents itself front and center. It appears on the government’s short list of essential metals. The automotive industry requires cars that are lighter which increases fuel efficiency. At the same time a car must be produced with bodily strength to adhere to safety targets.

This is where niobium enters center stage. When alloyed to steel, niobium increases strength of the metals, while at the same time reduces its total weight. There are competing products such as vanadium and molybdenum, but it is difficult for them to challenge niobium in the new high tech world associated with the automotive industry and construction of natural gas pipelines.

Enter center stage: [Quantum Rare Earth Development Corporation \(QRE:TSXV or QREDF:OTC\)](#) which possesses the rights to the only 43-101 compliant resource of niobium in the United States at its Elk Creek Project in Nebraska. Astonishingly, 100% of niobium is currently being imported to the United States. This is a far cry from energy independence. Perhaps this may explain the Department of Defense which recognizes a crisis in formation.

Let’s see how Quantum Rare Earth Development could provide the answer. The Elk Creek, Nebraska resource is in an ideal location. It is smack in the middle of farmland through which major roads and rail lines are available for Quantum’s expansion. It is located in a friendly jurisdiction which has state and local support for the Elk Creek Mine.

Quantum is building upon valid research done by Molycorp in the 70’s and 80’s. As a matter of fact some of the original staff of Molycorp updating the findings from approximately 40 years ago. Quantum has an experience chemical engineer on board and a strong metallurgical team that has five decades of experience. This staff is perfectly capable of “cracking the rocks.” This is a project waiting to happen.

Elk Creek Carbonatite

Comparison - NIOBEC MINE, Quebec

NIOBEC MINE
Proven & Probable Reserves:
45.7 Mt @ 0.53% Nb₂O₅¹

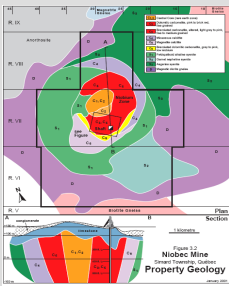
- Niobium hosted within pyrochlore
- 4 kilometre alkaline intrusive complex
- Underground mining

¹Using a 0.40% cutoff - as reported 31/12/2010

ELK CREEK
Inferred Resource:
80.1 Mt @ 0.62% Nb₂O₅¹¹

- Contains almost 500 million kg’s of Niobium
- Niobium hosted within pyrochlore
- 7 kilometre alkaline intrusive complex
- Most likely underground mining

¹¹Using a 0.40% cutoff - as reported 28/04/2011



They have a stated 80.1 million tons at 0.62% niobium, which has the potential of rivaling Iamgold’s Niobec Mine at much less capital expenditures. In the summer 2011 drill program Quantum hit some high grade niobium which will be factored into a new resource estimate targeted for publication in the upcoming weeks. There should be an independent Preliminary Economic Assessment (PEA) to be published in the first half of 2012 that should make public the current undervaluation at a \$17 million market capitalization. Currently, this presents a bargain price to the investment community.



In conclusion, a nine month downtrend has been broken and the trajectory is upward at this point. In our own valuation \$1 per share is feasible. Short term it may be slightly overbought as it is coming off the bottoming process. Volume is increasing and Quantum should be bought on pullbacks. However, a runaway move is possible imminently upon publication of its updated resource estimate and results from metallurgy. Meanwhile, the giant Iamgold is sinking \$950 million dollars into Niobec in Quebec over the next three years. One conjectures that there may be another mining giant out there willing to enter the highly profitable niobium market inexpensively. The possibilities are present.

[Buy Quantum Rare Earth Development \(QRE:TSXV\) Under \\$.28
Target \\$1 \(1-18-12\)](#)

Current Recommendations (Date Of Recommendation In Parentheses)

- 1) Buy U.S. Gold (UXG) Under \$7.50 Target \$12 (8/1/10)
- 2) Buy General Moly (GMO) Under \$5 Target \$9.00 (9/27/10)
- 3) Buy UR Energy (URG) Under \$1.75 Target \$3 (10/8/10)
- 4) Hold International Tower Hill Mines (THM) Target \$12 (10/20/10)
- 5) Hold Lynas (LYSDY) Target \$3 (12-22-10)
- 6) Buy Gold ETF (GLD) Under \$162 Target \$200 (9-27-11)
- 7) Buy Gold Mining ETF On Pullbacks Under \$60 (GDX) Target (\$67)\$74 (1-25-11)
- 8) Hold Avalon Rare Metals (AVL) Target \$6 (2-3-11)
- 9) Buy Western Lithium Under \$.90 (TSX:WLC; OTCQX:WLCDF) Target \$4 (2-14-11)
- 10) Buy Ucore (TSX.V:UCU; OTCQX:UURAF) Under \$.85 Target \$5 (2-15-11)
- 11) Buy Denison (DNN) Under \$2.50 Target \$6 (3-16-11)
- 12) Buy Uranerz (URZ) Under \$3.50 Target \$7 (3-16-11)
- 13) Buy Tasman Metals (TAS or TSM.V) Under \$5.25 Target \$12 (4-29-11)
- 14) Buy Silver (SLV) Under \$40 Target \$60 (5-18-11)
- 15) Hold Quest Rare Minerals (QRM or QRM.V) Target \$14 (5-27-11)
- 16) Buy New Gold (NGD) Under \$12 Target \$18 (7-13-11)
- 17) Buy Alexco Resource (AXU) Under \$10 Target \$15 (9-20-11)
- 18) Buy Corvus Gold (TSX: KOR, OTCQX: CORVF) Under \$.80 Target \$1.25 (11-17-11)
- 19) Buy Edgewater Exploration (EDW:TSXV) Under \$.55 Target \$1 (1-6-12)
- 20) Buy Quantum Rare Earth Development (QRE:TSXV) Under \$.28 Target \$1 (1-18-12)

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Realized Positions Since 8-1-10

SPY -2%
NGD +15%
FRG +16%
SLV +15%
GLD +13%
SLV +20%
NGD +30%
GMO +20%
URG +40%
UXG +16%
THM +20%
FRG +42%
GMO +57%
URG +70%
URG +200%
LYSCF +28%
FRG +123%
GLD +24%