

Strategic Metals & Rare Earths Letter

INTERNATIONAL

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MARKET COMMENTS and 2016 Shortlist of investment recommendations

Marino G. Pieterse, publisher and editor

Heavy Rare Earths Oxides (HREO)		Light Rare Earth Oxides (LREO)	Critical Metals and Special Minerals	
europium (Eu)	erbium (Er)	lanthanum (La)	yttrium (Y)	lithium (Li)
gadolinium (Gd)	thulium (Tm)	cerium (Ce)	scandium (Sc)	graphite (C)
terbium (Tb)	ytterbium (Yb)	praseodymium (Pr)	niobium (Nb)	tungsten (W)
dysprosium (Dy)	lutetium (Lu)	neodymium (Nd)	tantalum (Ta)	titanium (Ti)
holmium (Ho)		promethium (Pm)	beryllium (Be)	zirconium (Zr)
		samarium (Sm)	gallium (Ga)	hafnium (Hf)
			indium (In)	antimony (Sb)
			germanium (Ge)	cobalt (Co)

Referring to my attached overviews of listed worldwide active REE and Strategic Metals / Special Minerals companies, including **rare earths, lithium, graphite, tungsten and titanium**,

With **lithium** having shown a significant price increase, benefitting from China setting up higher prices, this has resulted in a strong market performance of lithium companies since last year, led by **Neometals, Altura Mining** and **Galaxy Resources**, all focused on Australia, but on the other hand **ERAMET**, a France-based integrated company, in my view, significantly overvalued.

Thanks to the commercialization of the lithium ion battery, enhanced by a vibrant growth in electric transportation, price increases of 10%+ per year are expected for a decade or more (current price level of US\$ 20,000/Mt).

Of a total of 32 REE companies included in the REE overview, there are only 2 pure REE companies, **Ucore Rare Metals** focused on the United States and **Lynas** focused on Australia which have a current market valuation above US\$ 50 million. As a result of depressed rare element prices, current feasibility calculations are not economically valid anymore and have chased away investors.

The market performance of **graphite companies** shows a mixed picture. Among the few **tungsten companies** included in the overview, **Wolf Minerals**, by showing a negative market performance, did not benefit from the completed development of a large tungsten resource at its Drakelands Mine located in southwest England.

With **titanium companies** having been recently added to the overviews, this industry represents internationally active integrated conglomerates, led by **Iluka Resources, Kronos Worldwide** and **Tronox Mineral Deposits**, focused on Senegal and Norway, and **FinnAust Mining**, focused on Greenland, are offering a high investment leverage potential, these companies are included in my 2016 Shortlist of investment recommendations.

**2016 SHORTLIST of REE and Strategic Metals/Special Minerals
as per February 29, 2016**

Company	Trading symbol		Share price		Change in %	Market capitalization		Market capitalization year-end 2015	Change in % 2016/2015
			Feb.29 2016	Year-end 2015		29 Feb. 2016	2015		
REE companies (8)									
			US\$	US\$		US\$	US\$	US\$	
US (1)									
Rare Element Resources	REEMF	OTC US	0.160	0.151	6	8.5	8.5	8.0	6
			Cdn\$	Cdn\$		Cdn\$			
Canada (1)									
Avalon Rare Metals	AVL	TSX	0.130	0.130	0	20.8	15.4	15.4	0
			A\$	A\$		A\$			
Australia (3)									
Alkane Resources	ALK	ASX	0.240	0.230	4	99.4	70.6	67.7	4
Northern Minerals	NTU	ASX	0.060	0.080	-25	29.2	20.7	27.3	-24
Arafura Resources	ARU	ASX	0.050	0.060	-17	22	15.7	18.8	-17
			A\$	A\$		A\$			
Greenland (1)									
Greenland Minerals and Energy	GGG	ASX	0.03	0.03	0	23.6	16.8	16.8	0
			Cdn\$	Cdn\$		Cdn\$			
Sweden (1)									
Tasman Metals	TSM	TSX.V	0.12	0.26	-54	7.9	5.8	12.4	-53
			A\$	A\$		A\$			
Tanzania (1)									
Peak Resources	PEK	ASX	0.07	0.09	-22	29.0	20.6	24.8	-17
Lithium companies (3)									
			A\$	A\$		A\$			
Argentina (1)									
Galaxy Resources	ASX	GXY	0.17	0.12	42	214.9	152.6	107.7	42
			A\$	A\$		A\$			
Australia (1)									
Neometals	ASX	NMT	0.26	0.15	73	145.4	103.2	57.4	80
			Cdn\$	Cdn\$		Cdn\$			
US (1)									
Pure Energy Minerals	PE	RSX.V	0.72	0.56	29	29.2	21.6	20.0	8
Graphite companies (3)									
			A\$	A\$		A\$			
Tanzania/Australia (1)									
Magnis Resources	ASX	MNS	0.300	0.390	-23	104.3	74.1	95.9	-23
			A\$	A\$		A\$			
Tanzania (1)									
Kibaran Resources	ASX	KNL	0.160	0.170	-6	29.2	20.7	21.0	-1
			Cdn\$	Cdn\$		Cdn\$			
Canada (1)									
Zenyatta Ventures	TSX.V	ZEN	0.79	0.88	-10	43.9	32.5	35.2	-8
Tungsten companies (2)									
			A\$	A\$		A\$			
England (1)									
Wolf Minerals	ASX	WLF	0.180	0.23	-22	145.7	103.5	135.9	-24
			Cdn\$	Cdn\$		Cdn\$			
Spain (1)									
Almonty Industries	TSX.V	All	0.290	0.280	4	25	18.7	17.6	6
Titanium companies (2)									
			A\$	A\$		A\$			
Senegal / Norway (1)									
Mineral Deposits	ASX	MDL	0.26	0.21	24	27.0	19.1	18.9	1
			GBp	GBp		GBp			
Greenland (1)									
FinnAust Mining	LSE	FAM	2.05	1.53	34	8.8	12.5	10.1	24
Average market performance 2016 :			2%						

Overview of global listed REE companies

		Trading symbol		Share price		Change in %	12 months prices		Total shares issued million	Market cap. million	
February 29, 2016				Current	Year-end 2015		H	L		local	US\$
US:											
				US\$	US\$		US\$	US\$		US\$	
MolyCorp Inc.	1)	MCPQ	NYSE	0.038	0.023	65	1.15	0.02	259.3	9.9	9.9
Rare Element Resources		REEMF	OTC US	0.160	0.151	6	0.89	0.06	52.9	8.5	8.5
Texas Rare Earths Resources		TRER	OTC US	0.160	0.180	-11	0.44	0.10	45.1	7.2	7.2
				Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Ucore Rare Metals		UCU	TSX.V	0.350	0.235	49	0.44	0.20	197.6	69.2	51.2
Canada:											
				Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Avalon Rare Metals		AVL	TSX	0.130	0.130	0	0.48	0.10	160.3	20.8	15.4
Commerce Resources		CCE	TSX.V	0.070	0.075	-7	0.15	0.06	234.4	16.4	12.1
Pele Mountain Resources	2)	GEM	TSX.V	0.045	0.035	29	0.09	0.03	209.4	9.4	7.0
Search Minerals		SMY	TSX.V	0.055	0.050	10	0.13	0.03	132.5	7.3	5.4
Quest Rare Minerals		QRM	TSX.V	0.065	0.065	0	0.23	0.06	86.3	5.6	4.2
Eagle Plains Resources		EPL	TSX.V	0.060	0.050	20	0.07	0.05	83.7	5.0	3.7
Metamec Explorations	3)	MAT	TSX.V	0.030	0.025	20	0.06	0.02	137.0	4.1	3.0
Canada Rare Earth	4)	LL	TSX.V	0.020	0.025	-20	0.04	0.02	166.9	3.3	2.5
Medaillon Resources		MDL	TSX.V	0.035	0.035	0	0.07	0.01	73.9	2.6	1.9
Int. Montoro Resources	2)	IMT	TSX.V	0.030	0.035	-14	0.10	0.03	69.2	2.1	1.5
Canadian Int. Minerals		CIN	TSX.V	0.025	0.035	-29	0.06	0.01	41.2	1.0	0.8
Cache Exploration		CAY	TSX.V	0.090	0.100	-10	0.16	0.05	7.8	0.7	0.5
Appia Energy		API	CNSX	0.010	0.010	0	0.05	0.01	41.6	0.4	0.3
Australia:											
				A\$	A\$		A\$	A\$		A\$	
Lynas		LYC	ASX	0.070	0.100	-30	0.14	0.03	3,488.0	244.2	173.4
Alkane Resources	5)	ALK	ASX	0.240	0.230	4	0.39	0.18	414.2	99.4	70.6
Northern Minerals	2)	NTU	ASX	0.060	0.080	-25	0.24	0.06	486.7	29.2	20.7
Hastings Technology Metals		HAS	ASX	0.060	0.070	-14	0.10	0.06	384.6	23.1	16.4
Arafura Resources		ARU	ASX	0.050	0.060	-17	0.08	0.04	441.3	22.1	15.7
Western Europe:											
Sweden:											
				Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Tasman Metals		TSM	TSX.V	0.120	0.260	-54	0.66	0.09	66.1	7.9	5.9
Greenland:											
				A\$	A\$		A\$	A\$		A\$	
Greenland Mn. and Energy	6)	GGG	ASX	0.030	0.030	0	0.11	0.02	787.7	23.6	16.8
				DK	DK		DK	DK		US\$	
NunaMinerals		NUNA	OMX-Cop.	0.990 *	0.990	14	7.10	0.57	27.6	4.4	4.4
* listing suspended as per February 18, 2015											
Central Asia:											
Kyrgyzstan:											
				Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Stans Energy		HRE	TSX.V	0.015	0.015	0	0.13	0.01	168.2	2.5	1.9
1) announced execution of a restructuring support agreement with creditors on June 5, 2015; court approved \$ 130 million DIP Financing on July 20, 2015											
2) also uranium assets											
3) also gold and base metal assets											
4) vertically integrated REE business											
5) also gold producer											
6) world's largest undeveloped multi-element occurrence											

February 29, 2016

Africa:	Trading symbol		Share price		Change in %	12 months prices		Net shares issued million	Market cap. million	
			Current	Year-end 2015		H	L		local	US\$
Tanzania:			A\$	A\$		A\$	A\$		A\$	
Peak Resources	8)	FEK ASX	0.070	0.090	-22	0.10	0.06	414.4	29.0	20.6
			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Montero Mining and Exploration	9)	MDN TSX.V	0.020	0.030	-33	0.06	0.005	71.0	1.4	1.1
Madagascar:			Euro	Euro		Euro	Euro		Euro	
Tantalus Rare Earths		TAEN Dusseldorf	1.950	2.500	-22	18.50	0.11	4.2	8.1	8.8
Kenya:			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Pacific Wildcat Resources	10)	PAW.H TSX.V	0.015	0.005	200	0.05	0.005	295.1	4.4	3.3
Malawi:			A\$	A\$		A\$	A\$		A\$	
Globe Metals and Mining	11)	GBE ASX	0.020	0.030	-33	0.03	0.02	469.7	9.4	6.7
			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Mkango Resources		MKA TSX.V	0.025	0.015	67	0.10	0.01	121.3	3.0	2.2
Namibia:			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Namibia Rare Earths		NRE TSX.V	0.060	0.045	33	0.20	0.04	77.8	4.7	3.5

7) TSX delisting effective on September 30, 2015; still listed on US OTC
8) also gold projects in Tanzania and Australia
9) also phosphate assets South Africa
10) also tantalum mine in Mozambique and gold-silver project in Nevada; listing changed to US OTC on November 25, 2015
11) also graphite project

Overview of LITHIUM companies (by market capitalization)

February 29, 2016	Trading symbol		Share price		Change in %	12 months prices		Total shares issued million	Market cap. million	
			Current	Year-end 2015		H	L		local	US\$
ERAMET	Paris	ERA:FP	Euro 19.30	Euro 29.50		Euro 94.25	Euro 15.36	26.5	511.5	557.5
			A\$	A\$		A\$	A\$		A\$	
Pilbara Minerals	ASX	PLS	0.370	0.320	16	0.42	0.03	843.7	312.2	221.6
Galaxy Resources	ASX	GXY	0.170	0.120	42	0.22	0.02	1264.0	214.9	152.6
Neometals	ASX	NMT	0.260	0.150	73	0.3	0.03	559.1	145.4	103.2
General Mining	ASX	GMM	0.290	0.260	12	0.33	0.04	311.7	90.4	64.2
Altura Mining	ASX	AJM	0.100	0.060	67	0.12	0.01	899.4	89.9	63.9
Lithium Australia	ASX	LIT	0.150	0.170	-12	0.23	0.04	198.8	29.8	21.2
			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Western Lithium	TSX	WLC	0.380	0.365	4	0.96	0.26	291.1	110.6	81.9
Nemasca Lithium	TSX	NMX	0.405	0.440	-8	0.48	0.15	206.7	83.7	61.9
Pure Energy Minerals	TSX	PE	0.620	0.560	11	1.03	0.18	47.1	29.2	21.6
Dajin Resources	TSX.V	DJI	0.130	0.140	-7	0.16	0.04	117.1	15.2	11.3

Overview of GRAPHITE companies (by market capitalization)

February 29, 2016	Trading symbol		Share price		Change in %	12 months prices		Total shares issued million	Market cap. million	
			Current	Year-end 2015		H	L		local	US\$
			A\$	A\$		A\$	A\$		A\$	
Syrax Resources	ASX	SYR	4.430	3.900	14	4.70	2.39	231.3	1,024.7	727.5
Magnis Resources	ASX	MNS	0.300	0.390	-23	0.58	0.19	347.7	104.3	74.1
Triton Minerals	ASX	TON	0.070	0.090	-22	0.71	0.05	421.0	29.5	20.9
Kibaran Resources	ASX	KNL	0.160	0.170	-6	0.25	0.13	182.4	29.2	20.7
Walkabout Resources	ASX	WKT	0.010	0.010	0	0.01	0.01	1446.0	14.5	10.3
IMX Resources	ASX	IXR	0.010	0.010	0	0.02	0.01	1546.0	15.5	11.0
			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Zenyatta Ventures	TSX.V	ZEN	0.790	0.880	-10	2.61	0.63	55.6	43.9	32.5
Canada Carbon	TSX.V	CCB	0.375	0.355	6	0.40	0.20	93.6	35.1	26.0
Graphite One Resources	TSX	GPH	0.075	0.075	0	0.13	0.07	204.7	15.4	11.4
Alabama Graphite	TSX	ALP	0.120	0.170	-29	0.35	0.11	115.6	13.9	10.3
Focus Graphite	TSX.V	FMS	0.080	0.085	-6	0.39	0.07	143.0	11.4	8.5
Northern Graphite	TSX.V	NGC	0.230	0.220	5	0.89	0.16	49.2	11.3	8.4
Great Lakes Graphite	TSX.V	GLK	0.110	0.085	29	0.15	0.05	101.2	11.1	8.2
Flinders Resources	TSX.V	FDR	0.210	0.150	40	0.45	0.12	46.8	9.8	7.3
Lomiko Metals	TSX.V	LMR	0.035	0.035	0	0.07	0.03	155.5	5.4	4.0
Canada Strategic Metals	TSX.V	CJC	0.025	0.030	-17	0.11	0.03	70.9	1.8	1.3
Caribou King Resources	TSX.V	CKR	0.065	0.070	-7	0.22	0.06	24.1	1.6	1.2
			pence	pence		pence	pence		£	
StratMin Global Resources	AIM	STGR	2.750	2.880	-5	7.00	2.13	151.1	4.1	5.7

Overview of TUNGSTEN companies (by market capitalization)

February 29, 2016	Trading symbol		Share price		Change in %	12 months prices		Total shares issued million	Market cap. million	
			Current	Year-end 2015		H	L		local	US\$
			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Almonty Industries	TSX.V	AI	0.290	0.280	4	0.86	0.21	87.1	25.3	18.7
North American Tungsten	TSX.V	NTC	0.005	0.005	0	0.05	0.005	238.1	1.2	0.9
			A\$	A\$		A\$	A\$		A\$	
Wolf Minerals	ASX	WLF	0.180	0.230	-22	0.45	0.15	809.7	145.7	103.5
Carbine Tungsten	ASX	CNQ	0.030	0.030	0	0.18	0.02	369.1	11.1	7.9

Overview of TITANIUM companies (by market capitalization)

February 29, 2016	Trading symbol		Share price		Change in %	12 months prices		Total shares issued million	Market cap. million	
			Current	Year-end 2015		H	L		local	US\$
			US\$	US\$		US\$	US\$		US\$	
Kronos Worldwide	NYSE	KRO	6.22	5.640	10	13.85	3.94	115.9	720.9	720.9
Tronox	NYSE	TROX	4.93	3.910	26	22.61	2.79	64.6	318.5	318.5
			Cdn\$	Cdn\$		Cdn\$	Cdn\$		Cdn\$	
Argex Titanium	TSX	RGX	0.03	0.035	-29	0.60	0.03	146.6	3.7	2.6
			A\$	A\$		A\$	A\$		A\$	
Iluka Resources	ASX	ILU	6.30	6.130	3	9.18	5.01	418.7	2637.8	1.872.8
TNG	ASX	TNG	0.15	0.140	7	0.29	0.10	714.5	107.2	76.1
World Titanium Resources Mineral Deposits	ASX	WTR MDL	0.07 0.26	0.020 0.210	250 24	0.07 1.00	0.02 0.18	460.4 103.7	32.2 27.0	22.9 19.1
			GBp	GBp		GBp	GBp		£	
Bushveld Minerals	LSE	BMN	2.53	3.500	-28	4.50	2.05	485.7	12.3	17.4
FinnAust Mining	LSE	FAM	2.05	1.530	34	2.38	0.45	429.9	8.8	12.5

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