

Media Release

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RCR's Equity Research Report: Junior and Mid Tier Rare and Minor Metals Companies September Quarter 2010

Key Points

- Demand for the rare and minor metals (RMM) should increase in the next 4-5 years, which could benefit current and near-term producers, or exploration and development companies with projects that can be fast-tracked.
- Strong market and price growth for the RMMs over this period should be driven by increasing intensity of use, for high-tech and energy efficient applications.
- Share prices of rare and minor metal companies have increased 42% year on year, outperforming the ASX S&P200 (3%).

Resource Capital Research ("RCR"), an equity research company which focuses on small and mid size resource companies, today published its quarterly research report covering Rare and Minor Metals exploration, development and production companies.

RCR also publishes quarterly reviews of the Iron Ore, Uranium, Gold and Copper (out soon) sectors. To access the free summary of the Rare and Minor Metals Report or to purchase the 54 page Subscribers report, go to www.rcresearch.com.au/reports.

The outlook for rare and minor metals

Rising rare and minor metal (RMM) demand and prices over the coming 4-5 years should be met with increased supply from new and existing mineral projects. RMM deposits can take 5+ years to develop as mines, sometimes due to their geochemical complexity, and the challenge of financing projects that are considered to be outside the resources mainstream. This provides an opportunity for companies with relatively low-risk projects, and which are advanced or can be fast-tracked, to gain RMM market share and potentially substantial returns on investment.

Some examples of commodities with a stable to strong outlook for the next several years:

- **Lithium:** Increasing intensity of use is expected to require additional supply beyond 2014.
- **Niobium:** Industry forecasts are for FeNb consumption growth of ~15% per annum to 2014.
- **Rare earth elements (REE):** Forecasts are for 20-30% compound annual growth in prices to 2014. Reported prices up 355% year-on-year.
- **Tantalum:** A supply shortfall is expected to hand a competitive advantage to companies that provide a long-term supply of ethically produced tantalum.
- **Tungsten:** Supply shortages are indicated from 2013.
- Zircon/zirconium: A lack of greenfields projects could create supply shortages and boost prices problems in the near to medium term (1-3 yrs).

These forecasts are based on expectations of increasing intensity of use in new or high-tech applications across all manufacturing sectors, and on related concerns about security of supply for manufacturers in view of China's dominance of some metal markets (e.g. ~97% of REE) and its policy of mining restrictions and tariffs (e.g. 20% tariff on ferrotungsten).

Equity performances

Share price performances of 358 exchange-listed companies with one or more RMM projects (in lithium, REE, tungsten, zirconium, niobium and tantalum) have been tabulated. The unweighted average performance of these stocks over 1 month (to September 7) was +13%, compared to 0% for Australia's ASX S&P200 (ASX:XJO). Three-month performance was +19% (XJO 6%) and 12-month was +42% (XJO 3%).

Globally, RMM stocks have on average outperformed the ASX by a significant margin in the past 12 months. Despite this, the average share price is 42% below its 12-month high – but also 114% above a 12-month low. The best performing stocks in the past one month are those with tantalum projects (+14%), which have benefitted from international efforts to stop illegal tantalite supplies from the Congo (DRC). REE stocks have also lifted (+12%) due to tightening of Chinese export quotas, especially on the light REE. All six groups have outperformed over the quarter; the flattest was Li (3%), for which the price has been comparatively stable.

Analyst's Comment

"The past year has seen a strong recovery in prices for rare and minor metals, which has flowed through to equity markets, especially in recent weeks," says RCR analyst Trent Allen.

"This has been driven by the broader post GFC recovery, and some sector specific factors: for example, China decreasing the export quota for light rare earth elements in 2H10, and US lawmakers passing a Bill to crack down on use of 'blood' tantalum and tungsten supplied from the Congo (DROC).

"The combination of anticipated shortfalls in supply, and increasing demand over the next 4-5 years, has pushed up the price of RMMs and of shares of resources companies that can, or plan to, supply them. Again, the REE are a good example, with reported oxide prices up an average 355% year on year, and 235% in the past 3 months – leading to an average 16% gain in share prices for companies with one or more REE projects.

All the commodities we've looked at (REE, niobium, tantalum, lithium tungsten and zirconium) have performed strongly in the past year, and demand and supply appear stable, although China dominates and has a strong influence over markets, so some short-term price volatility is expected, especially for the individual rare earth elements."

RCR September Quarter 2010 Featured Company Summary

AUSTRALIA

| Company | Code | Commodities | Comment |
|-------------------------------------|------|---|---|
| Alkane Exploration Limited | ALK | Gold, Rare Earths, Zirconium, Base Metals | Definitive Feasibility Study The world class Dubbo Zirconia Project (DZP) could be producing Zr, Nb and REE by 4Q12; with base-case throughput of 400ktpa, mine life is +100 years. A Definitive Feasibility Study of 840koz Au Tomingley is expected in 3Q10. Shares have gained 116% in three months. |
| Arafura Resources Limited | ARU | Rare Earths, Phosphorus, Uranium, Gold | Bankable Feasibility Study ARU's share price has jumped 110% in the past 3 months due to surging REE prices (up +255% since 4Q09). A Bankable Feasibility Study of the globally significant Nolans Rare Earths-Phosphate-Uranium Project (NT) is ongoing, and the project is on track for first production in 2013. |
| Globe Metals & Mining Limited | GBE | Niobium, Tantalum, Rare Earths, Uranium, Fluorine | Bankable Feasibility Study The 60Mt Kanyika Niobium Project (Malawi) had a recent 77% increase in Measured and Indicated resources. A mine plan is expected 3Q10, a Bankable Feasibility Study in 2011. Share price has jumped 80% in 3 months due to strong rare metals market. |
| Greenland Minerals & Energy Limited | GGG | Rare Earths, Uranium, Zinc, Sodium Fluoride | Pre-Feasibility Study Trading in GGG has resumed after a long suspension: news is, the Greenland Government maintains its zero uranium tolerance, for now. The feasibility stage Kvanefjeld Project is forecast to be a major provider of REE (43.7kt/yr) and uranium (3.9kt/yr U3O8). |
| Gippsland Limited | GIP | Tantalum, Tin, Gold | Bankable Feasibility Study Delays at the world class Abu Dabbab (Egypt) tantalum-tin project are being addressed, by the re-negotiation of a current 10-year offtake agreement. A resolution could trigger debt and equity financing for the A\$200m project, and production in 2013. |
| Gunson Resources Limited | GUN | Zircon, Titanium, Copper, Gold, Nickel | Definitive Feasibility Study GUN's 100% owned ~A\$170m Coburn Zircon Project in WA is now looking strategically attractive (DFS completed) with a zircon supply deficit looming. This will boost GUN's plans to bring in a big brother, which if successful could lift the share price. |
| Galaxy Resources Limited | GXY | Lithium, Tantalum, Manganese, Iron | Commissioning With the Mt Cattlin Spodumene Mine expected to start production in 4Q10, and the A\$55m Jiangsu Lithium Carbonate Plant under construction near Shanghai, Galaxy could soon be one of the world's major producers of battery grade lithium chemicals. |
| Icon Resources Limited | III | Tungsten, Gold, Base Metals, PGE | Scoping Study Icon expects tungsten production at Mt Carbine (QLD) from as early as December 2010. Treatment of tailings, stockpiles could be followed by mining in 2013. A resource upgrade (from 9.6mt @ 0.22% WO3) is expected in September 2010. |
| King Island Scheelite Limited | KIS | Tungsten, Copper, Gold | Definitive Feasibility Study Having doubled resource and reserve grades in 2Q10 and changed the mine plan from open cut to underground, KIS could produce +3kt/yr WO3 from 4Q12 at the King Island tungsten project, with the backing of Hunan Nonferrous Metals Corp (HNC). |

CANADA

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|------------------------|-----|---|--|
| Avalon Rare Metals Inc | AVL | Rare Earths, Niobium, Tantalum, Zirconium | Pre-Feasibility Study A Pre-Feasibility Study of the Nechalcho REE Project (Canada) has shown its technical and economic viability. The project, which has the second largest REE and third largest Nb resources in the world, has a Bankable Feasibility Study expected in 2Q12 and could be in production in 2015. |
| Rodinia Lithium Inc | RM | Lithium | Early-Mid Exploration After a recent name change to reflect its focus on lithium, Rodinia is anticipating initial resource statements in 4Q10 at two Li brine projects in the US and Argentina. The strategy is to explore salars in areas with known high grade Li and pre-existing infrastructure. |
| TNR Gold Corp | TNR | Gold, Copper, Lithium, Rare Earths | Early to Advanced Exploration TNR is focused on early stage exploration for gold, and rare and minor metals. A TSX spin-out of International Lithium Corp (ILC) in 3Q10 should add value to the Li and REE assets: priority Li targets include Mariana (ARG), where C\$1m drilling is planned from 4Q10. |

About Resource Capital Research

Resource Capital Research ("RCR") (www.rcresearch.com.au) was founded in 2004 and is based in Sydney. RCR provides investors with in-depth reports on current investment opportunities in the mining sector both in Australia and globally. The focus is on small and mid cap resource companies, across a variety of sectors including iron ore, uranium, gold, rare and minor metals, and copper. Companies covered range from exploration stage, through development and production. John Wilson the principal of the firm has over ten years' experience analysing mining companies in Sydney and on Wall Street including for major investment banks. Dr Trent Allen, Rare and Minor Metals Analyst, joined RCR in 2006. Trent has extensive experience as a mine geologist, academic and journalist.

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The report is available at www.rcresearch.com.au. The next Rare and Minor Metals Company Review will be of the December Quarter, 2010.