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ASX/Media Announcement

Tantalum Market Update – Prices and Demand Increasing, Supply to be Squeezed by US Financial Stability Act

Highlights

- Tantalum oxide price US\$220-230/kg, and rising
- Globe's existing financial forecasts based upon a price of US\$143/kg
- Tantalum represents 15-23% of revenues from Kanyika Niobium Project
- US legislation re: DRC-sourced "conflict minerals" will limit supply of tantalum to consumer electronics manufacturers/tantalum end-users
- Closure of tantalum mines during financial crisis and depletion of inventories also adding to supply crunch
- Globe positioning Kanyika and Malawi as a reliable, volume, ethical supplier of quality tantalum products

Globe Metals & Mining is pleased to provide this update on the tantalum market.

Prices

The current price for the tantalum oxide to be produced from the Kanyika Niobium Deposit is US\$220-230/kg (*Asian Metal*, 20 July 2010; 99.5% Ta₂O₅). This is substantially higher than the price used in Globe's existing financial forecast, US\$143/kg (US\$65/lb), and reflects the solid demand for tantalum post the financial crisis, the return to more normalised prices, as well as underlying supply constraints that remain unresolved. Recent reported prices for tantalum concentrate (min.30% Ta₂O₅) are in fact in excess of the previous oxide price of US\$65/lb (*Metal Bulletin*, 15 July 2010).

Tantalum is important to the Kanyika Niobium Project as it represents approximately 15-23% of revenues, in addition to ferro-niobium (68-80%) and uranium (6-10%). Annual production from Kanyika will be approximately 192 tonnes Ta₂O₅, produced as a by-product of ferro-niobium (FeNb)/3,000tpa of niobium metal.

The Company will be releasing an updated financial forecast as part of its presentation to the *Africa Down Under* Conference to be held in Perth from 1-3 September 2010.

US Financial Stability Act – Scrutiny of Congolese "Conflict Minerals"

The US Congress has recently passed the Financial Stability Act, and was signed into law on 21 July 2010. The "conflict minerals" provisions have major implications for the tantalum industry, and are likely to further constrain the already tight supply of raw material throughout the entire supply chain. Appendix A to this release contains relevant extracts from the Act.

The new law will require American companies to submit an annual report to the Securities & Exchange Commission (SEC) disclosing whether their products contain tantalum, tin, tungsten or gold sourced



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from the Democratic Republic of Congo (DRC) or adjoining countries, and if so, their supply chain audit processes and products that are not sourced from conflict free parts of the DRC or adjoining countries.

Given the heightened NGO/consumer interest in this issue, the onerous supply chain auditing obligations on reporting entities, the ever-changing areas of actual conflict in the Eastern DRC and the complex interaction of multiple deposits and intermediary trading entities, it is likely that the safest and easiest solution for the major consumer electronics brands such as Apple, Intel, Sony, Nokia and Research in Motion will be to not source tantalum from the DRC or adjoining countries.

The DRC has in recent years supplied ~15% of the world's tantalum, and accordingly, the Act has major implications for tantalum supply and prices. This is in the context of another ~40% of the world's raw material production either closing or being placed on semi-permanent care and maintenance during the global financial crisis.

Additional points of interest:

- The “**adjoining countries**” are those that actually adjoin the DRC, being Uganda, Rwanda, Burundi, Kenya, Tanzania, Zambia, Angola, Republic of Congo (Brazzaville), Sudan and the Central African Republic.

Malawi is not an adjoining country, and is therefore outside of the scope of the Act. Moreover, it has never been a source of tantalum and has been conflict free since even prior to independence in 1964, and currently holds periodic EU-approved multi-party democratic elections. Globe will position Kanyika and Malawi as a reliable, volume, ethical supplier of quality tantalum products.

- The **intent** of the Act is to prevent “**conflict minerals**” sourced from the DRC from entering the global supply chain: the 1998-2009 wars in the Eastern DRC were to some extent financed by the easily-mined, rich artisanal deposits of coltan (tantalum/niobium), cassiterite (tin), wolframite (tungsten) and gold in that part of the country. The Act is designed to break that nexus.
- The principal **mechanism** whereby the Act's objectives are achieved is to impose a strict regime of **traceability** throughout the entire supply chain. In relation to raw materials, this includes being able to identify precisely the mine of origin and ensuring that receipts from each source are consistent with the deposit's capacity to produce. This process has been driven by the Electronics Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), which represent the interests of leading Western OEMs. It will result in something akin to what already exists in the tin industry (itri.org.uk). “*Traceability in the supply chain has gone from a nice to have, to a must have.*” (Lauren Compere, MD, Boston Common Asset Management, *Reuters*, 15 July 2010).
- The **scope** of the Act extends not only to entities subject to SEC regulations (US listed companies, and foreign companies trading under ADRs), but to any American business if “conflict minerals are necessary to the functionality or production of a product manufactured by such person.” “*The law is going to affect virtually the entire U.S. manufacturing sector.*” (Rick Goss, VP Environment, Information Technology Industry Council, *The Washington Post*, 21 July 2010).
- The Act is effectively **extra-territorial**, given the prevalence of American consumer brands. The leading Chinese tantalum processor, Ningxia, for example, which largely on-supplies to Western customers, has now disavowed DRC-sourced raw material (*Metal Bulletin*, 15 July 2010). European firms have over the last few years gradually come to the same outcome on a voluntary/too hard basis, with major traders such as Traxys and Thaisarco exiting that part of Africa. The leading European (H.C. Starck) and American (Cabot) processors also do not knowingly accept DRC-sourced material.
- The **principal NGOs** driving the “conflict minerals” issue are Global Witness (globalwitness.org) and Enough Project (enoughproject.org).
- Given that the Act will effectively embargo all tantalum from the DRC and adjoining countries from use in the Western/global supply chain, it will have an **indiscriminate and detrimental**

effect on a number of **small and artisanal mining operations** that are entirely legitimate, and bear no connection whatsoever with the Rwandan-Kivu wars that scar the Eastern DRC. The onus of proof is too great for these miners and too troublesome for the end-users.

“The consequence is a market-driven one. Consumers can make their choices. Do they want their electronic products to be funding gang rape in central Africa? I don’t think most Americans would want that.” (Rory Anderson, World Vision, *The Washington Post*, 21 July 2010).

Tantalum Industry

- **Applications** - tantalum’s single largest use is in the production of electronic components, being capacitors and resistors. This accounts for 60-70% of all tantalum consumption.

Other applications are those that rely upon tantalum’s high melting point and ductility, such as alloys for metalworking equipment, jet engine components and military and nuclear reactors. Its inert qualities also make it suitable for a range of surgical and medical implant products.

- **Market Size** – prior to the financial crisis, annual global consumption of tantalum was estimated at 5.8 million pounds (Dennis Zogbi, *Paumanok Publications Inc.*, December 2008):
 - **Primary production** – ~two thirds of total production, with the single largest supplier being the now closed Wodgina mine (owned by Talison Tantalum), closely followed by Africa (principally DRC-Rwanda, Ethiopia, Mozambique and Nigeria).
 - **Secondary sources** – recycling/scrap, inventories, tin slags and the US Defence Logistics Agency strategic supply.
- **Supply Chain** – the conceptual chain from tantalum mine to customer is quite long: miner, processor, refiner, primary component manufacturer, tier three capacitor supplier, tier two original design manufacturer/component assembler, electronics retailer.
- **Post Financial Crisis**
 - **Demand** – during the crisis demand dropped by ~40%, but is recovering well, and is expected to return to pre-crisis levels by 2011-2012 (*Metals Place*, 12 March 2010; roskill.co.uk/tantalum).
 - **Supply** – Talison Tantalum has yet to give an indication whether it intends to re-open the Wodgina mine. With the additional closures of the Marrapino mine in Mozambique and Bernic Lake in Canada during the financial crisis, the industry has largely survived since on inventory draw downs (almost exhausted), recycled scrap and tin slags (limited volumes) and the now exhausted US government strategic supply. The “supply crunch” forecast by Roskill and others in late 2009 has now arrived (see Globe’s market release of 19 October 2009).

Globe is well positioned to become a reliable, volume and ethical supplier of quality tantalum products, with the commencement of production from the Kanyika Niobium Project in 2013.

Emerging Tantalum Projects

	Globe Metals & Mining	Commerce Resources	Crevier/MDN-Mines	Gippsland
Listing	(ASX: GBE)	(TSX-V: CCE)	(TSX-V: MDN)	(ASX: GIP)
Deposit	Kanyika, Malawi	Blue River, BC	Anita, Quebec	Abu Dabbab, Egypt ³
Size	21Mt ¹	23.9Mt	39.8Mt ³	44.5Mt
Ta₂O₅ Grade	180ppm	~215ppm	~240ppm	250ppm
Nb₂O₅ Grade	4,100ppm ²	~1,210ppm	~1,850ppm	n/a*
Resource/Reserve Status	Measured, Indicated & Inf.	Indicated & Inferred	Measured, Indicated & Inf.	Measured, Indicated & Inf.**
Tantalum Production	By-Product	Primary	Co-Production	Primary

1. Represents the majority of the higher grade, near surface resource. Total resource is 60Mt @ 2,900ppm Nb₂O₅, 140ppm Ta₂O₅, 90ppm U₃O₈ and 5,000ppm ZrSiO₄

2. **Globe's production for the first 7 year's of production will be ~4,700ppm Nb₂O₅ and ~210ppm Ta₂O₅**

3. Does not include the Nuweibi resource, indicated and inferred: 98Mt @ 143ppm Ta₂O₅ and 90ppm Nb₂O₅

* Plus 900ppm Sn

** Proven and probable reserves are 30.2Mt @ 255ppm Ta₂O₅ and 1,090ppm Sn

A critical feature of the Kanyika Niobium Project is that the principal product, FeNb, enjoys one of the most stable pricing regimes for any commodity, whereas tantalum prices have over the last ten years been extremely volatile, to the point of detrimentally impacting that industry. In summary, this is the ideal niobium/tantalum relationship (primary/by-product), as overall Project cash flows are likely to be relatively stable. It should also be borne in mind that at or around current prices, the Wodgina mine is likely to restart production.

About Globe Metals & Mining

Globe Metals & Mining is an African-focused resource company. Its main focus is the multi-commodity (niobium, uranium, tantalum and zircon) Kanyika Niobium Project in central Malawi. A Bankable Feasibility Study was commissioned in August 2009 and production is planned to commence in 2013 at a rate of 3,000tpa niobium metal, principally in the form of ferro-niobium.

Globe also has a number of other projects at an earlier stage of development: it is earning up to an 80% interest in the Machinga Rare Earth Project in southern Malawi from Resource Star Limited (ASX: RSL), and the Company can earn up to a 90% interest in the Mount Muambe Fluorite Project in Mozambique. Initial drill programs on both projects will be undertaken in mid-2010.

Globe manages its projects from its regional exploration office in Lilongwe, the capital of Malawi. The Company has been listed on the ASX since December 2005 (ASX: GBE), and has its corporate head office in Perth, Australia.

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Competent Person: *The contents of this report relating to geology and exploration results are based on information compiled by Dr. Julian Stephens, Member of the Australian Institute of Geoscientists and Executive Director - Exploration for Globe Metals & Mining. Dr Stephens has sufficient experience related to the activity being undertaken to qualify as a "Competent Person", as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.*

Web Links: *The ASX prohibits the use of live web links in market releases.*

Appendix A

Financial Stability Act, 2010 – Section 1502: Conflict Minerals (Extract)

(a) SENSE OF CONGRESS ON EXPLOITATION AND TRADE OF CONFLICT MINERALS ORIGINATING IN THE DEMOCRATIC REPUBLIC OF THE CONGO.—It is the sense of Congress that the exploitation and trade of conflict minerals originating in the Democratic Republic of the Congo is helping to finance conflict characterized by extreme levels of violence in the eastern Democratic Republic of the Congo, particularly sexual and gender-based violence, and contributing to an emergency humanitarian situation therein, warranting the provisions of section 13(p) of the Securities Exchange Act of 1934, as added by subsection (b).

(b) DISCLOSURE RELATING TO CONFLICT MINERALS ORIGINATING IN THE DEMOCRATIC REPUBLIC OF THE CONGO.—Section 13 of the Securities Exchange Act of 2280 1934 (15 U.S.C. 78m), as amended by this Act, is amended by adding at the end the following new subsection:

(p) DISCLOSURES RELATING TO CONFLICT MINERALS ORIGINATING IN THE DEMOCRATIC REPUBLIC OF THE CONGO.—

(1) REGULATIONS.— (A) IN GENERAL.—Not later than 270 days after the date of the enactment of this subsection, the Commission shall promulgate regulations requiring any person described in paragraph (2) to disclose annually, beginning with the person's first full fiscal year that begins after the date of promulgation of such regulations, whether conflict minerals that are necessary as described in paragraph (2)(B), in the year for which such reporting is required, did originate in the Democratic Republic of the Congo or an adjoining country and, in cases in which such conflict minerals did originate in any such country, submit to the Commission a report that includes, with respect to the period covered by the report;

(i) a description of the measures taken by the person to exercise due diligence on the source and chain of custody of such minerals, which measures shall include an independent private sector audit of such report submitted through the Commission that is conducted in accordance with standards established by the Comptroller General of the United States, in accordance with rules promulgated by the Commission, in consultation with the Secretary of State; and

(ii) a description of the products manufactured or contracted to be manufactured that are not DRC conflict free ('DRC conflict free' is defined to mean the products that do not contain minerals that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country), the entity that conducted the independent private sector audit in accordance with clause (i), the facilities used to process the conflict minerals, the country of origin of the conflict minerals, and the efforts to determine the mine or location of origin with the greatest possible specificity.

(B) CERTIFICATION.—The person submitting a report under subparagraph (A) shall certify the audit described in clause (i) of such subparagraph that is included in such report. Such a certified audit shall constitute a critical component of due diligence in establishing the source and chain of custody of such minerals.

(C) UNRELIABLE DETERMINATION.—If a report required to be submitted by a person under subparagraph (A) relies on a determination of an independent private sector audit, described under subparagraph (A)(i), or other due diligence processes previously determined by the Commission to be unreliable, the report shall not satisfy the requirements of the regulations promulgated under subparagraph (A)(i).

(D) DRC CONFLICT FREE.—For purposes of this paragraph, a product may be labeled as 'DRC conflict free' if the product does not contain conflict minerals that directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo or an adjoining country.

(E) INFORMATION AVAILABLE TO THE PUBLIC.—Each person described under paragraph (2) shall make available to the public on the Internet website of such person the information disclosed by such person under subparagraph (A).

(2) PERSON DESCRIBED.—A person is described in this paragraph if— (A) the person is required to file reports with the Commission pursuant to paragraph (1)(A); and (B) conflict minerals are necessary to the functionality or production of a product manufactured by such person.

...

(4) CONFLICT MINERAL.—The term “conflict mineral” means—(A) columbite-tantalite (coltan), cassiterite, gold, wolframite, or their derivatives; or

(B) any other mineral or its derivatives determined by the Secretary of State to be financing conflict in the Democratic Republic of the Congo or an adjoining country.

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