



Rockstone Research

September 19, 2018

Report #29

Rare Earth Elements, Niobium
and Tantalum in Canada



Like A Phoenix From The Ashes

In a recent [interview](#) with the industry-leading newspaper *The Northern Miner*, the President of Commerce Resources Corp., Chris Grove, said that the company has, for the first time, applied for a grant from the US Government.

The filed application pertains to the company's Ashram REE Project in Québec and the company is actively working on a second grant for their Blue River Niobium-Tantalum Project in British Columbia.

The application to these grants comes as the United States continues to work to "adjust" the trade imbalance bet-

ween the US and China, who is the dominant producer of REEs, with increasing levels of tariffs on almost all goods exported from China. These grants represent part of the work being done by the US Government to prepare itself and US manufacturers for the severing of the umbilical cord of dependence upon China for resources.

The reality is that most Americans, if not all, cannot understand how and why the US became so dependent upon a country not seen as an ally for these strategic resources, and especially the REEs without which it would not be possible, for example, to put an F35 in the air as it is today.

Company Details



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Shares Issued & Outstanding: 310,496,558



Chart Canada ([TSX.V](#))

Canadian Symbol: CCE
Current Price: \$0.06 CAD (09/18/2018)
Market Capitalization: \$19 Million CAD



Chart Germany ([Tradegate](#))

German Symbol / WKN: D7H / A0J2Q3
Current Price: €0.04 EUR (09/19/2018)
Market Capitalization: €13 Million EUR



To answer the question that Grove poses in the interview as to what the Chinese might do in retaliation for these tariffs, this statement was [published](#) yesterday:

“China has pledged to retaliate to any new tariffs imposed by the U.S., with reports suggesting the communist country could go beyond raising tariffs on U.S. imports and restrict exports of goods critical to U.S. manufacturing.”

It looks to me like it is “Go Time” and investors should be prepared to take advantage of the world’s two largest economies having it out on the front page.

In terms of the news announcing that REEs have been exempted from the current round of \$200 billion of tariffs, let us be completely clear: The exempted REE feed stock is the **raw material** for which there is very little market at this time in the US; the majority of Chinese REEs are imported in various products manufactured in China from Chinese REE feed stock and these products are those that currently most US manufacturers need to produce whatever end-products they are making whether it be a F35, a computer hard-drive, or a Predator drone, and these products are still facing a 25% tariff which is in place at this time.

In terms of these grants from the United States Defense Logistics Agency and Strategic Materials division, although Commerce Resources’ projects are on Canadian soil, the chances of securing such a grant are good because both are advanced-stage projects of resources that are of the greatest strategic interest for the US.

Historically, Canada is a welcome ally to the US, for which reason Canadian mining projects have been and can be classified as “domestic” for the US Government.

As the grant’s filing deadline is September 30, 2018, a decision should be expected thereafter.



In case Commerce Resources will indeed receive this grant from the US Government, the market may celebrate such with a firework, figuratively speaking.

Although this grant is limited at “only” \$3 million USD, it would nonetheless immediately send a vital message to the market, and to the world; namely that the US is ready, willing and able to advance North American mining projects to the next level, strategically speaking.

Bigger grants and support, and even strategic partnerships with the goal of bringing such a project towards production, may very well follow after a successful first grant.

Further cooperation between different levels (Provincial/Federal) of the Canadian and US Government is also imaginable following the reality of the Government of Québec working with Commerce Resources by the financing of 2 separate programs with a total budget of \$665,000.

The results thus far observed are extremely positive (see [here](#), [here](#) and [here](#)), hence an expanded collaboration with increased budgets after completion of both programs is possible.

Overall, exciting times are ahead and it will be interesting to watch what the near future will bring in this respect.

After all these years, the time could now be ripe for Commerce Resources to advance to the next level with strong partners.

Shareholders eagerly await such an event and Commerce Resources works hard to reward shareholders and stakeholders accordingly.

The company has not announced the filing for US grants in a press-release. Thus, the market does not have any expectations in this regard.

However, should Commerce Resources announce a positive outcome, the market may react even more surprised and in a potentially more positive fashion.

See also a new interview with Chris Grove “Commerce Resources getting read to be a major player in Rare Metals and Tantalum” on [YouTube](#).

The [interview](#) with *The Northern Miner* is copied on the next pages (authorized PDF reprint [here](#)).



AUTHORIZED REPRINT

THE NORTHERN MINER

GLOBAL MINING NEWS · SINCE 1915

SEPTEMBER 6 2018 / WWW.NORTHERNMINER.COM

Commerce hopes new US gov't policy will benefit North American REE projects



U.S. President Donald J. Trump signing an Executive Order giving conditional approval for Energy Transfer Partners' Dakota Access Pipeline for Bakken crude and TransCanada's Keystone XL pipeline to bring Canadian diluted bitumen to refineries in Texas. Credit: White House.

POSTED BY: RICHARD QUARISA SEPTEMBER 6, 2018

Commerce Resources (TSXV: CCE; US-OTC: CMRZF) has spent the past 10 years developing its Ashram rare earth element (REE) project in northern Quebec. Like many REE juniors, Commerce's fate has been influenced by a strong Chinese supply chain and, in particular, the prolific Bayan Obo REE mining district in northern China.

But Commerce president Chris Grove believes that recent U.S.-China politics may open a window for Commerce's success. He points to the U.S. imposed tariffs on Chinese goods, as well as specific language from the 2019 U.S. Defense budget to demonstrate his case.

"The language specifically prohibits the Department of Defense from the purchase of Chinese REE magnets," Grove tells *The Northern Miner*.



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A drill site on Commerce Resources' Ashram REE project in 2011. Credit: Commerce Resources.

According to Grove, U.S. legislation allows the government to view Canadian resource projects as potentially “domestic” if they are of interest to the U.S. Department of Defense.

As a result, the company has for the first time applied for a grant worth up to US\$3 million from the Strategic Materials division of the United States Defense Logistics Agency to help develop Ashram.

The company says it would use the grant to finish a pilot plant at **Hazen Research** in Golden, Colorado. It would use the plant to produce samples of its REE hydroxide product to shop to processors in the U.S., like **Ucore Rare Metals** (TSXV: UCU; US-OTC: UURAF) in Utah and **Rare Earth Salts** in Nebraska.

Commerce is filling out a separate application for its Blue River tantalum and niobium project in British Columbia. Although China buys most of its niobium from external sources, Grove says the country is a processor of tantalum it buys from Central Africa. As a result, he says the 2019 U.S. Defense budget could impact tantalum sales, as well.



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Workers collect a bulk sample at Commerce Resources' Eldor REE project in Quebec's Nunavik region. Credit: Commerce Resources.

Commerce has never before applied for one of these grants. The deadline for grant applications is Sept. 30, 2018. The US-China monthly trade deficit hit a record high in July when it totaled US\$36.8 billion.

“This current move by the Trump government is turning up the heat exponentially,” Grove says. “I think the anxiety level is rising and the main outstanding question is: ‘What is China going to do?’”

The Ashram project sits 130 km south of the town of Kuujuaq in northern Quebec's Nunavik area. It contains 1.6 million measured tonnes grading 1.77% total rare earth oxides (TREO), 28 million indicated tonnes at 1.90% TREO and 220 million inferred tonnes at 1.88% TREO.

The company drilled nearly 10,000 metres at Ashram that it will incorporate into an updated resource estimate for a prefeasibility study. But to carry out the study, the company needs more capital.

Commerce completed a 2012 preliminary economic assessment on Ashram that pegged potential production at 16,850 tonnes of rare earth oxides per year over 25 years. It calculated a \$2.3-billion pre-tax net present value at a 10% discount rate and a 44% pre-tax internal rate of return.

Currently, two facilities in Quebec are processing material from Ashram in two separate programs financed by the Quebec government.



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Drill core at Commerce Resources' Blue River tantalum-niobium project, 250 km north of Kamloops, British Columbia. Credit: Commerce Resources.

A \$365,000 program at the University of Laval is using an Ashram sample to validate a new hydrometallurgical process for extracting rare earth elements as well as using computer software to simulate the process.

A \$300,000, three-year program at the National Institute of Scientific Research in Quebec City is focused on optimizing tailings at Ashram. The program began two years ago.

"Our material reacts extremely well to standard processing," Grove says. "The majority of projects do not share the fundamentals of Bayan Obo, as we do."

Commerce staked the initial Blue River project claims in 2000, about 230 km north of Kamloops, British Columbia. Between 2006 and 2011, it drilled nearly 60,000 metres into the property. In total, it's spent more than \$30 million at Blue River.

As of a 2013 estimate, the project contains 48.4 million indicated tonnes grading 197 grams tantalum oxide per tonne and 1,610 grams niobium oxide per tonne for 21 million lb. tantalum oxide and 171.5 million lb. niobium oxide. The project also contains 5.4 million inferred tonnes at 191 grams tantalum oxide per tonne and 1,760 grams niobium oxide per tonne for 2.2 million lb. tantalum oxide and 21.1 million lb. niobium oxide.

Shares of Commerce are currently trading at 6¢ with a 52-week range of 5¢ to 10¢. The company has an \$18 million market capitalization.

"Rare earth elements are a very weird commodity," Grove says. "They're not rare. Economic deposits are rare. If you compare favourably to Bayan Obo, then you've got a legitimate shot at success."

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Stephan Bogner studied at the International School of Management (Dortmund, Germany), the European Business School (London, UK) and the University of Queensland (Brisbane, Australia).



Under supervision of [Prof. Dr. Hans J. Bocker](#), Stephan completed his diploma thesis ("Gold In A Macroeconomic Context With Special Consideration Of The Price Formation Process") in 2002.

A year later, he marketed and translated into German Ferdinand Lips' bestseller ("Gold Wars"). After working in Dubai for 5 years, he now lives in Switzerland and is the CEO of [Elementum International AG](#) specialized in duty-free storage of gold and silver bullion in a high-security vaulting facility within the St. Gotthard Mountain Massif in central Switzerland.

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