

High-tech advances spark interest in rare earth and metal sector

But junior mining companies that focus on minor metals need to find innovative ways to stay afloat

By Joel McKay

The demand for clean technologies has spurred interest in rare earth elements and metals, but one analyst believes there are big questions about the sector's long-term viability.

John Kaiser, a mining analyst and author of the *Kaiser Bottom-Fish Online*, said the flood of juniors into rare metals will last two to four more years.

By then, the end-users that need the elements and metals for advanced technologies will have bought the deposits for themselves.

"When the biggest ones have been identified, there'll be a flurry and they'll all disappear in the private sector..." said Kaiser. "That'll be

game over for the rare earth sector and even a lot of these rare metals."

Elements in the rare category don't fit precious or base-metal classifications. They're also the part of the periodic table that up until a couple of years ago remained largely ignored.

Now, elements such as lanthanum, neodymium, beryllium and indium have found new life in electronic, magnetic, automotive, aerospace and even nuclear applications (see "B.C. mining company sees rise of rare opportunity" - issue 1029; July 14-20, 2009).

Yet the sector remains small.

According to the *Bottom-Fish* report, the 2009 global production value of the

minor metals totalled \$23 billion compared with a base-metal production value that reached \$324 billion.

Kaiser believes the sector will remain small due to the scarcity of quality deposits, and that means there's not enough of the resources to make it worthwhile for mining giants such as **Teck Resources Ltd.** (TSX:TCK.B) and **BHP Billiton Ltd.** (NYSE:BHP).

"The big guys aren't really interested in screwing around with these... so this is turning into a problem," said Kaiser.

He said the juniors would need the end-users to invest in deposits to bring them to production.

Kaiser also said the end-users would be just as likely to buy the deposits, run them on a break-even basis to produce



BRIAN PIETERS

Avalon Rare Metals Inc. CEO Don Bubar: "it's not a big enough business to attract the attention of the big base-metal producers"

the material they need and push the juniors out.

But Don Bubar disagrees.

"Most of these companies don't want to be in an

industry where they have no internal expertise," said Bubar, president and CEO of **Avalon Rare Metals Inc.** (TSX:AVL). "Having a stake in it ensures they have a supply source. [That] is all they really want out of it."

Avalon, which has an operations office in Vancouver, has been working on its Thor Lake rare earth project for several years, and Bubar said that's an advantage over other juniors.

"There's only going to be room for so many new producers," he said. "It's going to be a first-mover advantage. The first new producers to get into that market and capture market share and tie up long-term supply contracts are going to be the winners."

That's how Vancouver-based **IBC Advanced Alloys Corp.** (TSX-V:IB) plans to stay afloat.

The company recently completed a \$10 million financing and bought New Hampshire-based **Beralcast Corp.** to expand its beryllium-focused business model.

IBC, which buys its beryllium from Kazakhstan, uses the metal in products it sells to end-users.

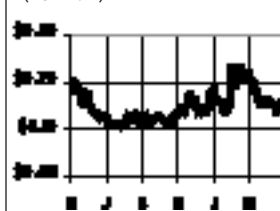
The company also wants to start producing the ore so that it can control the supply chain.

"It will be used and already is being used in a number of very important aerospace applications, and we see that market trickling down into more mundane areas," said **Anthony Dutton**, IBC's president and CEO.

With its manufacturing arm, the company plans to

IBC ADVANCED ALLOYS CORP.

(TSX-V:IB)



Vancouver

CEO: Anthony Dutton

Employees: N/A

Market cap: \$11.46m

P/E ratio: N/A

EPS: \$(0.08)

SOURCES: STOCKWATCH, TSX

develop new applications for the metal, while it slowly builds a mining arm that can draw the resource from claims it has in Utah.

"With beryllium there's a huge amount of opportunity, but a lot of that is opportunity we're going to have to create ourselves," said Dutton.

U.S.-based **Brush Wellman Inc.** dominates the beryllium industry, but Kaiser believes the key to long-term success in the rare element and metal sector could be partnerships among the juniors.

"Some of these major rare earth systems being looked at... such as Thor Lake, there is a beryllium component to these deposits," said Kaiser. "This could finally end up creating an independent feed of beryllium for companies such as IBC, so they would be well positioned if they have developed a downstream processing and value-added manufacturing supply chain." ■

jmckay@biv.com

New Ottawa-based think tank generating financial support in B.C.

Macdonald Laurier Institute lands \$250,000 in Vancouver fundraiser

By Curt Cherewayko

A new public policy think tank based in Ottawa has raised more than \$250,000 in B.C. on the promise that it will be the first think tank in the nation's capital to address the full spectrum of issues that affect Canadians nationwide.

The **Macdonald Laurier Institute (MLI)** expected to raise between \$50,000 and \$100,000 alone in fundraising from a \$250-a-plate dinner it hosted for 200 people in Vancouver last Thursday - the first big event it has hosted since its soft launch in Ottawa earlier this year.

Brian Lee Crowley, the institute's founder and managing director, told *BIV* last Wednesday that by holding its first big event in Vancouver he wanted to signal that the MLI is a national organization.

"Anybody who has read my last book, *Fearful Symmetry*, will know that I think the West is absolutely key to the future of Canada," said

Crowley, citing the region's energy, enthusiasm, and economic momentum.

Fearful Symmetry explores how the rise of the baby boomer and a focus on appeasing Quebec led to the creation of a bloated welfare state. It also provides some solutions.

Crowley, who founded the **Atlantic Institute for Market Studies** and has worked for other think tanks in Washington and on economic policy for the federal government, said the MLI has generated a disproportionate amount of interest in Vancouver.

"When people put pen to paper and write cheques that's the most concrete expression in a belief and a support of an idea," she said.

He said the MLI has also generated interest in Calgary, Edmonton, Toronto, Ottawa and Montreal.

Crowley first pitched his idea in Vancouver for the think tank last fall during a tour for the launch of his book.

Rick Peterson, who runs **Peterson Capital**, a small Vancouver-based seed capital firm, read *Fearful Symmetry* last fall.

He said it was a reasoned and optimistic view of Canada's future and invited Crowley to speak at the **Burgundy Luncheon Club**, a monthly meet-up of politically oriented businesspeople in Vancouver that he hosts.

Speakers at the luncheon cover a wide range of issues, including municipal politics, Afghanistan and private health care.

Peterson, who unsuccessfully ran for a **BC Liberal** nomination in the last provincial election, became chairman of the organizing committee for the MLI's Vancouver event after hearing Crowley's pitch.

"The fact that we have a sell-out dinner in Vancouver for the first ever public event of an Ottawa-based think tank speaks volumes for the work our group has done and the desire [we have] to see the MLI suc-

ceed," Peterson told *BIV* in an e-mail.

Attendees at last Thursday's dinner, which was hosted by former conservative MP **John Reynolds** and Senator **Larry Campbell**, donated anywhere from \$2,500 to \$15,000 for a table.

Peterson noted that the MLI will be a success if it can deliver consistently sound and non-partisan public policy ideas and if it can elevate the presentation of these ideas to mainstream media and the public.

Crowley said that among the MLI issues that are relevant to British Columbians are democratic reform and aboriginal policy.

Of the latter, he said Canada has to figure out how "we can find a modus agendi with Canada's aboriginal peoples to bring certainty to the economy and certainty and prosperity to aboriginal people."

The MLI's first policy paper, which was released last March, covered aboriginal issues. ■

cqc@biv.com

How to Protect Your Family and Finances

A new report has found that 66% of professionals are unprepared in the event they or a member of their family are diagnosed with a serious illness.

A generation ago illnesses such as cancer, heart attack and stroke often resulted in death. Today most people can find themselves back at work 3 months after suffering an initial heart attack and 50% of those diagnosed with cancer are alive and cancer free 5 years later.

While many people are living longer and surviving these life threatening illnesses, their families and finances often suffer as a result of insufficient insurance coverage... resulting in having to borrow money, deplete savings or sell real estate to supplement lost income.

Entitled *Preparing for the Unexpected: What You Need to Know About Critical Illness Coverage*, this new report includes information on how to ensure you and your family are properly protected in the event of being diagnosed with a critical illness. The report is available free of charge for a limited time at www.cloverage.ca.

"Over the last few years not only have I realized that anyone can be hit unexpectedly with an illness, I've seen many examples of healthy people being struck with them. That's why I decided to get critical illness insurance." - Scott Moss, RIMMIA Realitor

To get your copy of this complimentary report, visit www.cloverage.ca today or call 604-673-7888 or 1-800-663-7499 and ask for Amanda Zlotnik.