

# Seismic Shift in the Niobium Space

We had to suppress a laugh when we saw the sale announced over the weekend of the Niobec mine by IAMGold (TSX: IAG) as “long-planned”. Yes, and the Second Coming has been long-planned too. Ever since we have been following the Niobium space this asset has been mooted for demerger or an IPO, though rarely for an outright sale as it was not clear who would acquire it.

IAMgold announced that it was selling its Niobec niobium mine in Quebec to focus on its core gold mining business. The buyer(s) is/are a group of companies led by investment company Magris Resources Inc and are paying \$500 million in cash to get their hands on the only Niobium miner outside Brazil. This is rather eye-opening in this day and age for being cash and being such a large number. Magris Resources, which is Toronto-based, is headed up by the former CEO of Barrick Gold, Aaron Regent. As an aside we would note that once again we have a case of an ousted CEO doing better (and more imaginative things) outside the company that ousted them in the first place.

IAMgold picked up the Niobec assets as part of its acquisition of Cambior back in 2006. The mine is located in the Municipality of St-Honoré in the Saguenay-Lac-Saint-Jean region, 200 kilometers North of Québec city, is the only underground niobium mine in the world. Niobec currently employs more than 480 employees. Its production currently corresponds of 8–10 % of the worldwide volume of niobium depending on changes in supply and demand from year to year.

Apparently the sale includes an adjacent rare earths deposit. This is the so-called St Honore Carbonatite. Its metrics are:

<b>Total Inferred Resource (NI 43-101)</b>	<b>466.8 tonnes</b>
Total Rare Earth Oxide grade	1.65%
TREO contained	7.7 million tonnes
Heavy Rare Earth Oxides	2%
Light Rare Earth Oxides	98%
Key REE Mineralization	Bastnaesite/Monazite
Host Rock	Carbonatite

IAMgold will get an additional \$30 million when commercial production begins at the adjacent deposit. However, looking at the state of the market for LREE-biased deposits, that could be a very long wait.

### **A Muddled Strategy**

Talk in 2012 indicated that IAG intended to float this off in the public markets but then they seemed to be hanging onto it. This was probably because of weak markets but we also suspected it was because Niobium had a better outlook than IAMgold's staple metal, gold. Dare we say it but Niobium has now an even better perspective while gold wallows in its pit of misery.

If the spin-off had gone ahead it would have given the metal a much stronger public awareness than hitherto where it had just been a bonanza cash-flow generator for IAG hidden in its closet.

### **The Magris Group – A Dark Horse in the M&A Space**

We suspect that a lot more will be heard of this group in the

near future. The fact that so many assets still remain at bargain basement prices will aid its growth. With big dumb majors shedding assets in a bit of a “baby out with bathwater” style there should be much that a cashed-up predator can Hoover up. Aaron Regent set up Magris Resources after he was ousted as chief executive of Barrick Gold in 2012. He was one of a cluster of industry figures who raised private funds to invest in mining, reasoning that public companies would sell unwanted assets at attractive prices during an industry slump.

The Magris-led group includes Singapore’s Temasek Holdings and CEF Holdings Ltd, a Hong Kong-based investment company owned by Canadian Imperial Bank of Commerce and billionaire Li Ka-shing’s Cheung Kong Holdings Ltd.

Magris is not necessarily mistaken in making its first major move upon a specialty metal mine rather than the old Bay Street object of desire, a precious metals mine.

### **The Niobium Landscape**

There are only three producing Niobium mines in the world. Despite Quebec’s role with Niobec, the real player is Brazil, the world’s largest producer of niobium (92%), followed by Canada. There are also a number of Niobium explorers with ambitions to move to production.



Brazil has two of the largest niobium deposits in the world, the Araxá and the Catalão deposits. The Araxá mine is operated by CBMM, where decreasing grades are increasing operating costs at the mine. CBMM is owned by the Moreira Salles family, one of Brazil’s wealthiest groups. Their fortune has largely derived from a punt on Niobium back in the 1960s and interests in the banking sector. According to Bloomberg, CBMM generates more than \$600 million in annual profit. They calculated it was worth at least \$13 billion, based on the family’s sale of a 30% stake to a group of Asian steelmakers for \$3.9 billion

in 2011. The brothers are estimated to hold an equal share of the remaining 70% stake.



The Catalão mine in the state of Goiás is owned by Anglo American Brazil. It has the smallest reserves of the three Niobium “majors”. There has been speculation that the mine may run out of ore if the deposit size cannot be increased.

### **Implications for the Up-and-Coming**

The main contenders to be Niobium producers in the next few years are Alkane (ASX: ALK | OTCQB: ANLKY), MDN (TSXV: MDN) and Niocorp Developments Ltd. (TSXV: NB | OTCQX: NIOBF).

It was only last week that we wrote about MDN Mines ([click here](#)) and its Tantalum/ Niobium property. This Quebec-based company has two specialty metals projects in the province and one gold prospect in Tanzania. Of most interest (and most advanced) is the Crevier Tantalum/Niobium project in Quebec. It is now relevant to speculate how things might pan out here as this project is owned 72.5% by MDN and 27.5% by IAMgold. While nothing has been said publicly on the implications for this stake of the larger Niobec deal, it would make infinite sense for it to migrate to Magris as well rather than stay with a largely disinterested IAMgold.

Then there is Niocorp which was one of the lucky ones that exited the REE space early. Its earlier manifestation had been as Quantum Rare Earths (ironically exploring the same deposit as now but with a focus on REEs. Besides its sizeable Niobium resource, one of the interesting features of Niocorp is that the company is headed up by Mark Smith, the veteran CEO of Molycorp, who has been steeped in the world of specialty metals for many decades. Niocorp’s Elk Creek property in Nebraska used to belong to Molycorp when it was a much more diversified metals explorer, before it narrowed down to its current REE focus. And Molycorp had a relationship with CBMM

with Mark Smith being the company's representative on the board of the Brazilian giant. Niocorp could be viewed as a large company trapped in a small company's body... *for now.*

## **Conclusion**

I can't help but notice that while Mick Davis has rustled up billions for his X<sup>2</sup> vehicle to replicate Xstrata, the new entity has been remarkably sparse on action and newsflow. Not so with Aaron Regent and his Magris play. It seems that it must have had Niobec in its sights for a while and has now pounced.

Besides our long-held desire to see a standalone Niobium producer trading on the markets, another advantage of having Niobec set free from IAMgold was that it gives some measure of value for such deposits. This then rebounds (positively) on those juniors holding assets in the Niobium space such as Niocopr, MDN and Alkane. Any publicity is good publicity and those in the investment community should dust off their old notes on Niobium and ask themselves what Magris knows that they do not...