

NioCorp's Mark Smith on the rising global interest in superalloys scandium and niobium

InvestorIntel interview, Publisher Tracy Weslosky speaks with Mark Smith President and Executive Chairman of NioCorp Developments Ltd. (TSX:NB | OTCQX:NIOBF | FSE:BR3) about the recent successful CAD\$11.5 million raise in support of the Elk Creek superalloy initiatives. They also discuss the merits of the project, sustainability and increased global market attention in NioCorp's super alloys: scandium, niobium and titanium.

Tracy Weslosky: Mark there's been so much news with NioCorp lately and, I want to start with the fact that you managed to raise \$11.5 million recently for NioCorp with the leadership team and obviously with the super alloys that you have, can you tell us a little bit more about this?

Mark A. Smith: It was very difficult because of the market conditions at the time, but as I've said before, this project speaks for itself. When you let people know the facts of this project, the wonderful world-class resource we have out in the southeast corner of Nebraska, the people that want to work for this company and we've hired to really run this project to ground and get up and operating, it's very compelling and people support it. They've proven once again that when we need to raise money to continue the efforts on the feasibility study they're there to support it and it's because they really believe in the project.

Tracy Weslosky: You just put out a recent announcement, about the super alloys that NioCorp has. You've got the scandium,

niobium and titanium. I'd love it if I you give our InvestorIntel audience an update on what NioCorp actually has, the advantage.

Mark A. Smith: Well, the advantage is, again, you start with ore grade. You know, that's one of those things you learn early on in the mining industry, ore grade is king. Well, we've got very good ore grades for all three of those elements in our deposit. We've got a fantastic location. I mean the people in southeast Nebraska – you couldn't ask for better support. We've got a town hall that we've announced for next week that's coming up and it's oversubscribed by the local citizens. The little town of Elk Creek has about 110 people in it. We have 275 people already registered and RSVP'd for this town hall because the entire local community supports it and they want to know what's going on. About every 6 to 8 months we try to do a town hall so all part of that open communication and honesty with the local people. They respect it, we respect them and we're working well together.

Tracy Weslosky: Well, in addition, of course, to having community support for your project, the industry is watching you very closely. There's quite a bit of buzz actually about scandium. Would you mind talking to us about the supply and demand issues related to scandium because, you know, we're finding that we're getting a lot of inquiries about this right now?

Mark A. Smith: It's a really exciting part of the project. We still consider niobium to be our base material, great foundation for any project because it's a very good ore grade and it's a very stable price for this material so banks are supportive, investors are supportive...to access the complete interview, [click here](#)

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Strengthening our World with Niobium and Scandium

December 18, 2015 – Today we have the pleasure of sharing the presentation that Mark Smith, President, CEO and Executive Chairman of NioCorp Developments Ltd. (TSX:NB | OTCQX:NIOBF | FSE:BR3) gave at the **InvestorIntel** Technology Metals Summit in Toronto titled **Strengthening Our World**.

✘ **Mark A. Smith:** Start out with **Strengthening Our World**, and that seems to be particularly fitting for the elements that we'll be producing at NioCorp. It consists of niobium as our foundational product, but we also have scandium trioxide. Niobium is, you'll hear in just a minute, basically strengthens and lightens steel and scandium, interestingly enough, does for aluminum what niobium does for steel so it's a very interesting combination of elements out at the site and one that we're awful excited about. We'll give you our disclaimer. The other thing that was very interesting to me this morning was listening to Natasha. I'm going to try my best not to bore you with this presentation and hopefully create some excitement about this project, but this is, kind of, a standard presentation that we do give publically right now. I'll try to make it as fun as I can. NioCorp is traded on the TSX under the symbol NB. We really like that since that's the elemental symbol for niobium. We had a lot of very good fortune in 2014. The lower left-hand side of that slide you'll see a couple of different areas that we excelled in. The very fascinating part to me is all the accolades that you get for stuff like that, that it all originated from our main course of business, which is doing technical work programs to increase the value of the company. That's what all of those

share performance attributes were a result of – was hard work by a very good group of people. I'm very blessed to have a group of people with me that I know and I trust. These are very experienced people. They know how to take a resource and put it into production. That's our goal in life is we want this project put into production. We also have the good fortune of having some board members on our team as well. Joe Carrabba, who many of you may know from Cliffs Natural Resources, he only has about 40 or 44 years of experience, something like that. Another gentlemen by the name of Dave Beling who thinks that I'm still a kid so I really like him and he's got over 50 years of experience, including underground mining. The team that we've put together and the resources that we can tap into are really quite amazing. On top of that we have excellent people, like Eric and Elaine, from Roche Engineering. That's just meant to let you know we're partnering with the right people as well. We're partnering with Roche Engineering. They're doing most of the detailed feasibility study level engineering right now. We have partnerships with SRK Engineering. We have partnerships with SGS, with COREM, with Hazen. We have partnerships with Morgan Stanley and Credit Suisse and Mackie Research. Those are just some of the names that we've decided to do business with...to access the complete presentation, [click here](#)

Anglo American – Baby out with the Bathwater

Corporate theory these days is driven by the grand gesture. Just as in the good days we saw overblown acquisitions because small deals just didn't "move the dial", now in the reverse phase the baby goes out with the bathwater.



Latest candidate for the grand gesture is Anglo-American which is throwing out bath as well as bathwater and baby.

Some History

I am an unalloyed fan of demergers. If the asset does not fit in the corporate family then demerge it to the shareholders and let them make their own choice what to do. So many times we have seen companies vend core assets to just have the money vanish into the black hole or “corporate expenses” or “restructuring charges “ or “debt reduction”.

The concept of demergers is not unknown at Anglo-American as last decade (in July 2007) it spun-out Mondi, its international packaging and paper division. Employing around 25,000 people across more than 30 countries. Our key operations are located in central Europe, Russia, North America and South Africa. Mondi is fully integrated across the packaging and paper value chain – from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. In 2014, Mondi had revenues of €6.4 billion and a return on capital employed of 17.2%.

With this in its history it's surprising that Anglo American have not been more skillful as slicing and dicing their own product mix to create different companies that might weather this current storm better. A demerger of the De Beers entity with its stellar brand name and potential to trade as a luxury goods stock (with attendant ritzy ratings) rather than as a miner seems like the elephant in the room. Obviously some shibboleths are too touchy to even be considered. Pushing it out the door with a goodly chunk of debt attached to it would lighten the load on the mainstream mining business and seems like a win-win outcome.

Likewise the iron ore business, Minas Rio, should be a candidate to go in a demerger. We always marveled during the go-go days of the BOVESPA as to why more foreign miners did not go for a Sao Paulo listing from their Brazilian assets to capitalise on the Carnival atmosphere while it lasted. Too late now to spin it out with a premium rating but still NOT having iron ore in one's asset mix these days is better than having this mineral around emitting a noxious vibe guaranteed to scare investors away.

I reiterate my thesis that while base metals, and even precious metals, might see better days in the near to medium term, the massive oversupply of iron ore and the end of the Chinese steel boom is likely to leave iron ore in the doghouse for a decade.

Niobium

As we have covered Niobium here in the past it is useful to note that Anglo American is one of the world's top three Niobium producers with its Catalao mine in Brazil.



There had been talk about selling this asset early in the current decade but in March 2011 it abandoned these plans. However the latest presentation (which accompanied the massive shrinkage announcement) published this chart which by a process of deduction shows Niobium no longer in the mix.



First you see it, now you don't. This raises some questions as to who the likely buyer would be. Does Magris want it? Probably yes but as a fledgling fund does it really want to be that overweight in Niobium, which is linked with the troubled steel industry, after having already shelled out \$500mn for Niobec? CBMM buying the asset would bring a whole raft of anti-trust problems at the international level, though the

Brazilian government probably would not care.

That leaves two other names to conjure with, and both include Mark Smith. These are Largo Resources, which is already positioned in Brazil and Niocorp which has Niobium as its specific brief. Might we ponder a merger of the two listed entities, and then buying Catalao, with Anglo accepting stock in the new combined entity? We can only suppose at this point but it does have an interesting logic.

Down She Goes

Below can be seen the stock price performance since 2010. While we all know mining has not been the happiest of places since 2011, it appears the rot set in early here as many majors managed to hold up as they had a better mix of metals than your average one-trick pony miner and because they had cash-flow. In addition Anglo American owns De Beers and while diamonds are not exactly sparkling at the current time they have not been as dire or as undisciplined as the rest of the mining industry.



However, at Anglo American the mood has been almost unrelievedly downbeat (downhill?). It's no wonder that shareholders want blood.

Conclusion

While big caps like Anglo American are not the usual fodder for my musings on Investorintel this case strikes a chord because it is yet another example of a trend that not too many have applied logical thinking to. In the past we have noted that there was a horde of gold juniors thinking that a handful of majors were going to buy their properties to which our response was "they can't buy all your projects" and in fact since the (many) debacles of Kinross, the majors have been buying hardly any properties from juniors. Now the boot is on

the other foot, somewhat, with a bunch of cash-strapped majors (Anglo, Glencore etc) trying to divest assets to companies lower down the mining totem-pole. So far precious few deals have been done. The very largest of the first tier have mines that are so large and (in theory) so valuable and thus with such big ticket price tags that how can one imagine that everything that is on the "for sale" rack is going to be picked up. Who are the buyers supposed to be? How many cash-rich minor majors are there? And in any case even in the smaller majors bought one or two of Anglo's cast-offs then who is going to buy the rest. There is a fundamental mismatch between the number of foreseeable buyers and the number of assets being cleared out.

Majors are showing themselves to be just as wedded to outdated paradigms as juniors with their "put it for sale and they will come" attitude. While much criticism is made of BHP these days, we can't help but think that its spin-out of South32 at the beginning of this year was one of the smartest deals of 2015. It allowed some unwanted assets to find their one way in life without having to resort to a Filene's Basement-style "automatic markdown" policy. Still we have the suspicion that both Glencore and Anglo-American are creating the "assets for sale" lists to pander to bankers and institutional investors that want to see managements in full fire-fighting mode and yet the companies are probably just hoping for a turnaround in metals fortunes and then hanging onto the assets they never wanted to dispose of in the first place!