



Rockstone Research

June 7, 2017

Report #24

Rare Earth Elements, Tantalum,
Niobium in Canada

"Rare earth metals are crucial. We've closed down mines in my own state of California, which is the leading edge of stupid. We need to have our own rare earths. We've got to put American manufacturing back in competition."
(Duncan Hunter)



Commerce Resources and Ucore Rare Metals: The Beginning of a Beautiful Friendship?

The Hyde Park Agreement of 1941 was one of the most significant economic agreements reached between Canada and the United States. This declaration expressed the desires of US President Franklin D. Roosevelt and Canadian Prime Minister Mackenzie King such that "in mobilizing the resources of this continent each country should provide the other with the defense articles which it is best able to produce."

King regarded this agreement as a triumph of personal diplomacy during World War II, and when he spoke to the House of Commons about it, he emphasized that "beyond its immediate significance, the Hyde Park Declaration will have a permanent significance in the relations between Canada and the US." In other words, quoting from the 1942-blockbuster movie Casablanca, this was "the beginning of a beautiful friendship".

The Hyde Park Agreement then morphed in to the Defense Production Sharing Agreement of 1956, a bilateral trade agreement between Canada and

the US that aims to balance the amount of military cross-border buying in order to avoid trade imbalances. Since then, a number of US companies have sent military production to Canada, and although the agreement has been amended on several occasions, it is still in effect today. The similar Defense Development Sharing Program organized the sharing of military research and development.

California Republican Duncan Hunter recently (March 7, 2017) introduced a bill before Congress that seeks to address the supply side imbalance, whereby the US is currently completely dependent upon a foreign source that would not be considered an ally – China – for the REEs it so desperately needs to manufacture weapons and weapons systems.

"The U.S. must no longer be wholly dependent on foreign sources of strategic and critical materials," said Rep. Hunter. "The risk of this dependence on national security is too great and it urgently demands that we re-establish our depleted domestic industrial base."

Company Details



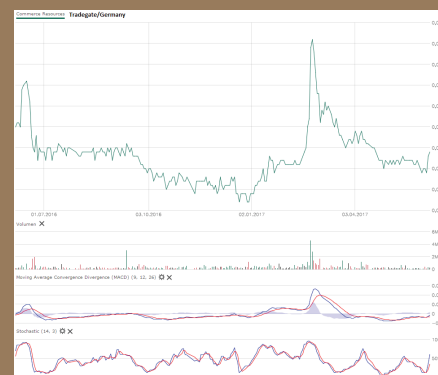
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Shares Issued & Outstanding: 309,569,908



▲ Chart Canada (TSX.V)

Canadian Symbol: CCE
Current Price: \$0.07 CAD (06/06/2017)
Market Capitalization: \$22 Million CAD



▲ Chart Germany (Tradegate)

German Symbol / WKN: D7H / A0J2Q3
Current Price: €0.049 EUR (06/07/2017)
Market Capitalization: €15 Million EUR



Over the last years, the US has made no progress to decrease its dependence upon China for metals which are crucial to the US national security and defense, according to a [report](#) from the Department of Defense, which lists 17 rare earths needed for the new F-35 fighter jet, laser-guided missiles, catapults that launch fighter jets from aircraft carriers, the THAAD missile defense system, and many other applications such as the magnets in the small and large motors for Electric Vehicles (“EVs”), advanced batteries in EVs, wind turbines, solar panels, geothermal steam turbines, or even smartphones.

Senator Lisa Murkowski’s Rare Earth Supply-Chain Technology and Resource Transformation (RESTART) Act of 2010 targets the reestablishment of a competitive domestic rare earth mining, processing and refining industry to support the growth of clean technology, manufacturing and the defense sectors. Murkowski, Republican of Alaska, is one of the most vocal supporters of Ucore Rare Metals Inc. and its Bokan-Dotson Ridge Rare Earth Project in Alaska (see [here](#) and [here](#)).

[James C. Kennedy](#), a consultant to the US government, is the leading advocate for the development of a fully integrated rare earth value chain inside the US through the creation and development of a Centralized Rare Earth Refinery. He is currently working on legislative contributions with the US Congress and Senate on bills, amendments and legislative input into various rare earth and energy legislation.

US President Donald Trump has signed huge arms deals, such as the intended \$100+ billion USD deal with Saudi Arabia that includes a military sales agreement that could total \$350 billion USD. Even if the numbers turn out to be smaller, Trump is ready for the mass production of weapons and weapons systems, for which REEs are essential.

On Monday, Ucore Rare Metals [signed a MOU](#) with Commerce Resources for the purpose of integrating feedstock from Commerce’s Ashram Project with Ucore’s recently announced rare earth separation facility and strategic metals



complex (SMC) in Utah, USA. Currently at \$75 million CAD, Ucore enjoys one of the largest market capitalizations in the rare earth space, also due to being a development-phase company focused on beneficiation technologies with near-term potential for production. Ucore also owns one of the highest grade heavy rare earth projects within the US, the Bokan-Dotsan Ridge Deposit in Alaska, which, however, only has a limited mine life of about 11 years. The Ashram Deposit, on the other hand, has a very large tonnage, plus a simple mineralogy. Both Ucore and Commerce could soon turn out as perfect partners for the purpose of producing rare earths on US soil.

According to the MOU, Commerce will provide Ucore with samples of a mixed rare earth carbonate concentrate, using material from the Ashram Deposit, in order for Ucore to perform bench and pilot scale testing of the prospective feedstock. Bench work will be conducted by Ucore’s joint venture partner IBC Advanced Technologies of American Fork, Utah, with pilot scale test work expected to take place at Ucore’s recently completed SuperLig®-One MRT pilot facility in Vineyard, Utah. The SMC is being designed and engineered as a modular facility, capable of accepting feedstock from varying supply sources and a range of high quality concentrates.

The objective of the test work is to complete a definitive assessment of the suitability of the Ashram Concentrate as potential feedstock for the SMC, with a view to a subsequent long-term supply partnership and offtake relationship. Jim McKenzie, President and CEO of Ucore, commented in the press-release:

“This is a significant development partnership for both Ucore and Commerce. Commerce has undertaken extensive research

and testing resulting in a high-quality and high-grade mineral concentrate that will allow for cost effective processing to our ideal feedstock, and therefore, looks to be a very promising candidate for processing via a MRT separation circuit. The Ashram Deposit is large tonnage, good grade, hosts a well-balanced REE distribution with an enrichment in the magnet feed REEs, and perhaps most importantly, is highly accessible. In combination with the SMC, Ashram promises to be a key link in a self-contained North American REE supply chain.”

The news release from Ucore continues as follows (confirming what Rockstone has been touting all along for 4 years):

“Commerce is well advanced with its metallurgical testing and flowsheet design for the production of the Ashram Concentrate, incorporating the conventional approach used by current and past rare earth producers. This involves an initial phase of beneficiation to produce a high-grade mineral concentrate of >45% REO and at high recovery at ~75%, followed by a hydrometallurgical phase that further processes the mineral concentrate through to a mixed rare earth carbonate product suitable for separation. The Ashram metallurgical test work and pilot plant is located and operated at Hazen Research in Golden, Colorado.”

Chris Grove, President of Commerce Resources, cut right to the chase:

“We are excited to be working with Ucore and look forward to delivering a sample of our REE mineral concentrate to the SuperLig® test facilities in Utah as soon as possible. Security of supply is vitally important, and with our simple mineralogy and successful use of standard processing, we look forward with Ucore to realizing the goal of an independent North American REE supply chain.”



Chris Grove was recently [interviewed](#) by Jeb Handwerger, explaining how Commerce could break the Chinese rare earth monopoly.

The Minister of Energy and Natural Resources for Quebec, Pierre Arcand, recently said in an [interview](#) that “we’re very bullish on Plan Nord”, also confirming that the government will spend a minimum of \$50 billion for Plan Nord over the next 20 years, a major budget to develop Quebec’s northern regions, where Commerce’s Ashram Deposit is located. In another [interview](#) with Kitco, Arcand answered the question why mining in Quebec might be a good idea right now.

As Jeb Handwerger recently [argued](#), it may be time to rebalance a portfolio with rare earths as many other assets are in bubble territory at the moment and it’s difficult to find cheap discounted assets trading at rock-bottom prices with the ability to turn around quickly. He sees signs of rare earth prices rising higher as demand picks up from electric vehicles and huge new weapons and weapons systems manufacturing. An escalation with North Korea and/or a conflict in the South China Sea could be the starting point to send rare earths soaring.

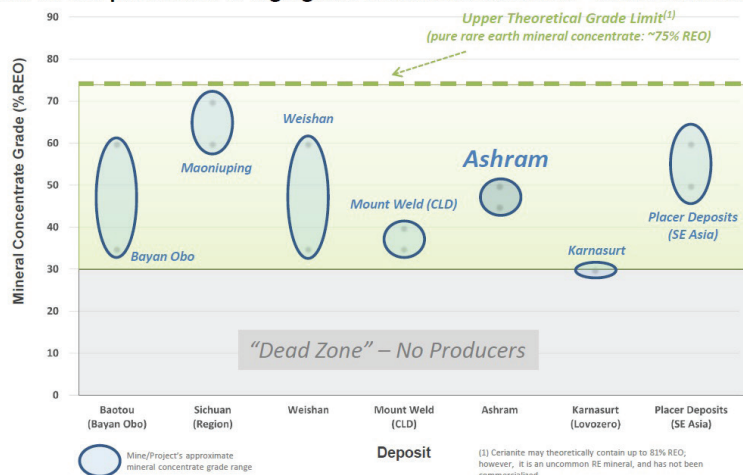
The brutal bear market in rare earth prices since 2011 has forced the only rare earths miner in the US, Molycorp and their Mountain Pass Mine, into bankruptcy. Yet Commerce Resources’ Ashram Rare Earth Deposit in Québec may have all of the ingredients to even be profitable at these depressed market prices.

According to Jeb Handwerger’s latest [article](#):

“If the Ashram Concentrate can be separated with Ucore’s Molecular Recognition Technology then I expect a potential merger or partnership. Why does Ucore like Commerce’s ore from Quebec? Because Commerce’s ore from Ashram has a simple mineralogy, its a well advanced asset in a mining friendly jurisdiction and it could produce a mixed rare earth carbonate concentrate suitable for separation potentially using Ucore’s MRT.

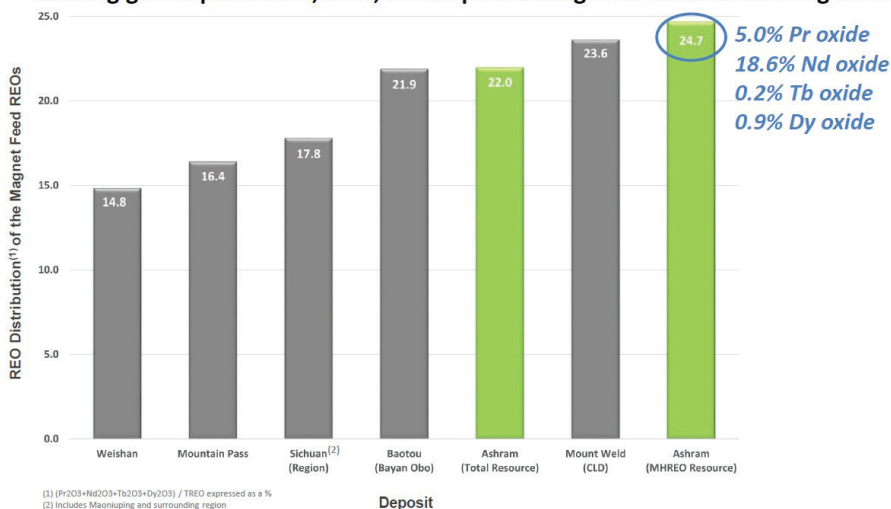
High-Grade Mineral Concentrate Essential for Production

Ashram is comparable to producers because it hosts the same rare earth minerals that allow for the production of high-grade mineral concentrates – monazite and bastnaesite

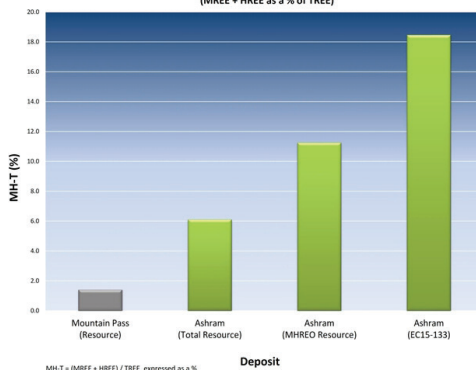


Magnet Feed REO Distribution

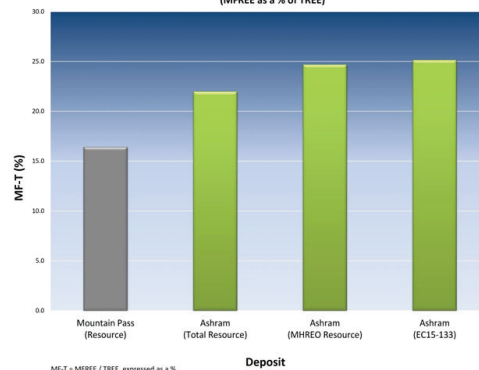
Ashram has an enrichment in the Magnet Feed REOs that is superior to leading global producers, thus, better positioning it for the market long-term



MHREE Distribution
(MREE + HREE as a % of TREO)



MFREE Distribution
(MREE as a % of TREO)



“The above 2 figures illustrate clearly that, compared to Mountain Pass, Ashram has ~400-1,300% more enrichment in the group of REEs that have the highest \$ value per kg (MHREE), as well as ~34-53% more enrichment in the REEs that have the strongest, largest, and most stable near-term, medium-term, and long-term markets (MFREE).” Source: [Rumble in the REE Jungle: Molycorp vs. Commerce Resources - The Mountain Pass Bubble and the Ashram Advantage](#) (August 27, 2015)



I believe Ucore and Commerce have withstood the test of a bear market in rare earths and time to be the leaders in the North American REE Supply Chain. Ucore is planning on advancing their SuperLig® MRT Pilot Plan to the commercial stage and Commerce could be a critical supplier of ore to the facility.

In conclusion, a lot of assets are in bubbles. There are very few commodities so out of favor that are rising in demand and so scarce like rare earths. With geopolitical tensions in N. Korea and the S. China Seas a turn in the rare earths is inevitable.

Both Ucore and Commerce were trading around a \$1 back in 2010 when rare earths soared before. Now they are trading at a fraction of that valuation but that could change on one news item."

(Disclosure: I have a conflict of interest as I own securities in the companies mentioned and they are website sponsors which means I have been compensated. That makes me biased. This should be considered an advertisement with forward looking statements which may not come to fruition as small cap investing is incredibly risky. Do your own due diligence as this is not financial advice.)



Previous Coverage

[Report #23](#) "Edging China out of Rare Earth Dominance via Quebec's Ashram Rare Earth Deposit"

[Report #22](#) "Security of REE Supply and an Unstoppable Paradigm Shift in the Western World"

[Report #21](#) "Commerce well positioned for robust REE demand growth going forward"

[Report #20](#) "Commerce records highest niobium mineralized sample to date at Miranna"

[Report #19](#) "Carbonatites: The Cornerstones of the Rare Earth Space"

[Report #18](#) "REE Boom 2.0 in the making?"

[Report #17](#) "Quebec Government starts working with Commerce"

[Report #16](#) "Glencore to trade with Commerce Resources"

[Report #15](#) "First Come First Serve"

[Report #14](#) "Q&A Session About My Most Recent Article"

[Report #13](#) "Shedding Light onto the Rare Earth Playing Field"

[Report #12](#) "Key Milestone Achieved from Ashram's Pilot Plant Operations"

[Report #11](#) "Rumble in the REE Jungle: Molycorp vs. Commerce"

[Report #10](#) "Interview with Smith and Grove while the Graveyard of REE Projects Gets Crowded"

[Report #9](#) "The REE Basket Price Deception & the Clarity of OPEX"

[Report #8](#) "A Fundamental Economic Factor in the Rare Earth Space: ACID"

[Report #7](#) "The Rare Earth Mine-to-Market Strategy & the Underlying Motives"

[Report #6](#) "What Does the REE Market Urgently Need? (Besides Economic Sense)"

[Report #5](#) "Putting in Last Pieces Brings Fortunate Surprises"

[Report #4](#) "Ashram: The Next Battle in the REE Space between China & ROW?"

[Report #3](#) "Rare Earth Deposits: A Simple Means of Comparative Evaluation"

[Report #2](#) "Knocking Out Misleading Statements in the Rare Earth Space"

[Report #1](#) "The Knock-Out Criteria for REE Deposits: Cutting the Wheat from the Chaff"



Canada and the United States:

DEFENSE TRADE PARTNERS

January 2011

An integrated North American defense industrial base

The Canadian defense industry is closely integrated with U.S. industry. Many of the largest Canadian firms are U.S.-owned, such as: Lockheed Canada, Raytheon Canada, Boeing Canada, and General Dynamics Land Systems (Canada).

One successful product of the integrated North American defense industrial base is the Light Armoured Vehicle ('LAV'). The LAV III, introduced by the Canadian Forces in the Late '90's, is the basis of the Stryker family of wheeled infantry vehicles—the workhorse of the U.S. Army in Iraq and Afghanistan. These vehicles are manufactured in Anniston, AL, Lima, OH and London, Ontario.

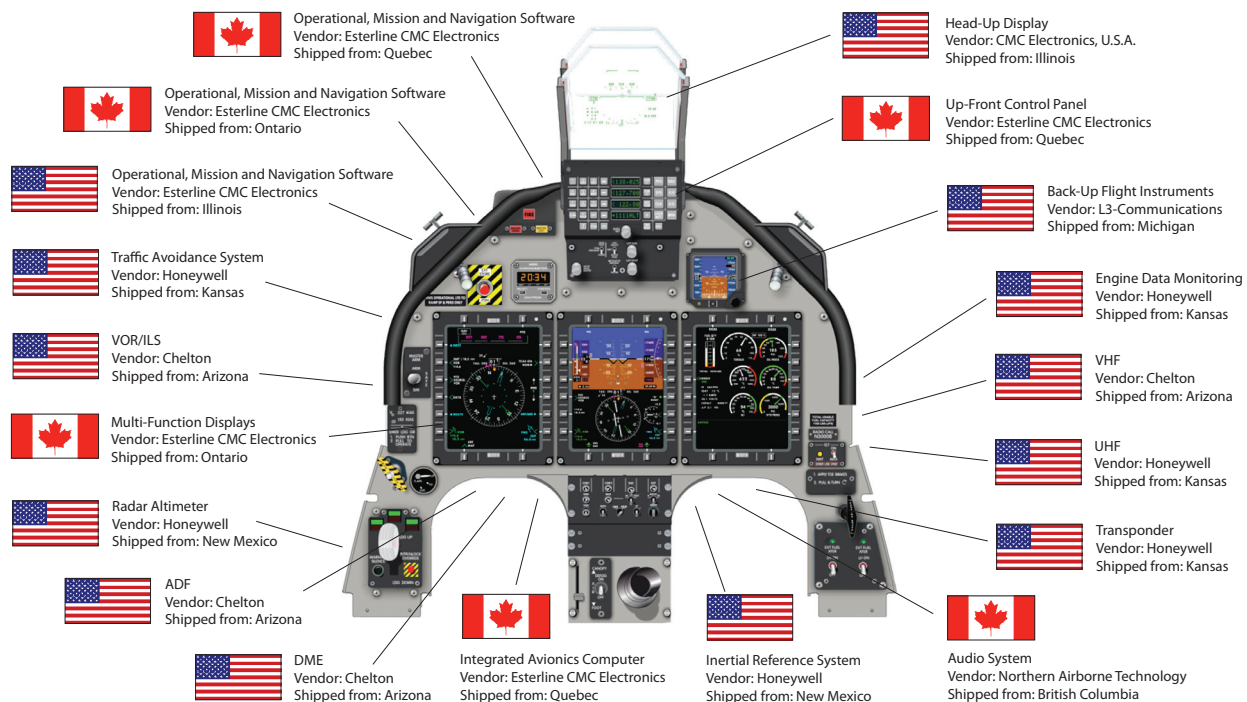


Soldiers from the Royal Canadian Dragoons drive their LAV III along the edge of the Registan desert near the Canadian Forward Operating Base, Spin Boldak, Afghanistan

Another example of the integrated supplier base is the cockpit of the Hawker Beechcraft T6-B trainer aircraft, depicted below and produced by CMC in Montreal, with key suppliers in both Canada and the U.S.

Hawker Beechcraft T-6 basic pilot trainer aircraft (B variant)

Featuring the Esterline/CMC Electronics (Montreal) glass cockpit with Head-Up Display in service with the USN, USAF, Canadian Air Force and other Allies.



Defense trade with Canada increases U.S. jobs



The first purchase under the Canada First Defense Strategy was a fleet of four C-17 heavy transport aircraft, providing Canada with strategic airlift capability for military and humanitarian missions

Canada is a major market for U.S. defense exports. In 2008, Canada unveiled a \$490 billion *Canada First* Defence Strategy to modernize and build the capability of the Canadian Forces. Since 2007, 65% of Canada's major military procurements (a total of over \$62 billion) has been awarded to U.S. companies. Another 4% has been awarded to Canadian subsidiaries of U.S. firms.

Initial *Canada First* acquisitions included: C-17s (Boeing), Chinook helicopters (Boeing), C-130J aircraft (Lockheed Martin), additional combat vehicles, UAVs, and other defense material. In August 2010, Canada announced the intended purchase of 65 Joint Strike Fighter aircraft (Lockheed Martin).

Canadian defense firms are providers of leading edge technologies, especially in the areas of simulation and training, remote sensing, surveillance and intelligence, munitions, avionics, and defense electronics. Most of these products contain substantial U.S. content.

Canadian defense-related products sold to the U.S. are in large part "re-imports" of U.S.-made components and subsystems. Canadian exports to third countries also have high U.S. content, thereby generating additional sales of U.S.-made components and subsystems for U.S. suppliers.

U.S. recognition of Canada in acquisition law and regulations

Under the 1956 Defense Production Sharing Arrangement (DPSA), the provisions of the Buy American Act were waived allowing Canadian industry to compete with U.S. firms for defense contracts on a normal, commercial basis. In exchange for this access, Canada assumed primarily a subcontracting role, buying its major weapons systems from the U.S.

The DPSA outlines the special reciprocal defense procurement arrangement with the Government of Canada, whereby the Canadian Commercial Corporation, Canada's international contracting agency, acts as a prime contractor to guarantee and administer all U.S. defense contracts with Canadian companies over USD \$100,000. (DFARS 225.870)

In addition to the DPSA, there are more than 600 formal agreements between the two countries. The U.S. Department

of Defense recognizes the unique nature of the Canada–U.S. defense economic relationship in its policy objectives to:

- ✳ Promote a strong, integrated and more widely dispersed defense industrial base in North America;
 - ✳ Remove obstacles to the free flow of defense equipment trade; and
 - ✳ Give equal consideration to the offers of sources in both countries for defense procurement.
- (Instruction No. 2035.01 — Defence Economic Cooperation with Canada — 27 Feb 2006)*

Also, in the U.S. Code, the term "national technology and industrial base" is defined to include Canadian firms. (10 U.S.C. 2500(1))



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All statements in this report, other than statements of historical fact should be considered forward-looking statements. Much of this report is comprised of statements of projection. Statements in this report that are forward looking include that REE and metal prices are expected to rebound; that Commerce Resources Corp. or its partner(s) can and will start exploring further; that exploration has or will discover a mineable deposit; that the company can raise sufficient funds for exploration or development; that any of the mentioned mineralization indications or estimates are valid or economic. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in these forward-looking statements. Risks and uncertainties respecting mineral exploration and mining companies are generally disclosed in the annual financial or other filing documents of Commerce Resources Corp. and similar companies as filed with the relevant securities commissions, and should be reviewed by any reader of this report. In addition, with respect to Commerce Resources Corp., a number of risks relate to any statement of projection or forward statements, including among other risks: the receipt of all necessary approvals and permits; the ability to conclude a transaction to start or continue development; uncertainty of future REE and metal prices, capital expenditures and other costs; financings and additional capital requirements for exploration, development, construction, and operating of a mine; the receipt in a timely fashion of further permitting for its legislative, political, social or economic developments in the jurisdictions in which Commerce Resources Corp. carries on business; operating or technical difficulties in connection with mining or development activities; the ability to keep key employees, joint-venture partner(s), and operations financed. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Rockstone and the author of this report do not undertake any obligation to update any statements made in this report.

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Stephan Bogner studied at the Inter-



national 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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