



# Rockstone Research

July 29, 2019

## Report #30

Rare Earth Elements, Niobium  
and Tantalum in Canada



## Lean and Mean: A Fighting Machine

Today, Commerce Resources Corp. **announced** plans to complete a consolidation of its issued and outstanding common shares on the basis of 1 new share for every 10 currently outstanding shares, therefore reducing the number of outstanding shares from 310,496,558 to approximately 31,049,655.

Commerce Resources believes that this share consolidation will both enhance the marketability of the company as an investment and better position the company to raise the funds necessary to execute its business plan. The share consolidation is subject to approval by the TSX Venture Exchange.

I am confident that this consolidation should put Commerce Resources into the most attractive spot for a REE (Rare Earth Element) junior with a tight capital structure that will be highly financeable for anyone (private, institutional, and strategic investors along with bankers) looking to position themselves in this vital commodity space that appears on the cusp of a new bull market.

The current threat from China that they may halt shipments of REEs to the United States has brought significant focus to the fundamental realities of the REE sector – continued increased global demand against “issues” on the supply side.

“The heavy dependency on foreign supply chains results in vulnerabilities of relevant American industries,” Chen Zhanheng, an analyst at Association of China Rare Earth Industry, [told the Global Times last week](#). “The US is under pressure from a lack of rare-earth supplies after it started the trade war with China. Now the US is hoisted with its own petard as China indicated that it will keep its options open for using rare earths as a weapon... The US fears that China will limit rare-earth exports, which will result in a huge loss for manufacturing industries in the US as its supply chain may be disrupted,” said Chen.

**Solution:** New REE supply from the North American continent. To the rescue Commerce Resources and its counter-striking Ashram REE “weapon”!

### Company Details



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Shares Issued & Outstanding: 310,496,558



↖ Chart Canada (TSX.V)

Canadian Symbol: CCE  
Current Price: \$0.06 CAD (07/26/2019)  
Market Capitalization: \$19 Million CAD



↖ Chart Germany (Tradegate)

German Symbol / WKN: D7H / A0J2Q3  
Current Price: €0.0385 EUR (07/26/2019)  
Market Capitalization: €12 Million EUR



## The Global Times concluded in last week's article:

"The US is concerned about rare-earth supplies. US President Donald Trump has determined to make up for the shortfall in the production of rare-earth permanent magnets, pursuant to the Defense Production Act of 1950s, a US law that was once used to protect its steelmaking capacity, according to a memorandum issued by the White House on Monday. The Pentagon on July 15 sought a quick response about rare-earth output in the US from domestic miners and refiners before July 31, Reuters reported."

Whether or not China actually halts shipments of REEs to the United States is less important than the actual threat that has been made, because this has finally motivated the Americans to do something about this distressing vulnerability they have to China.

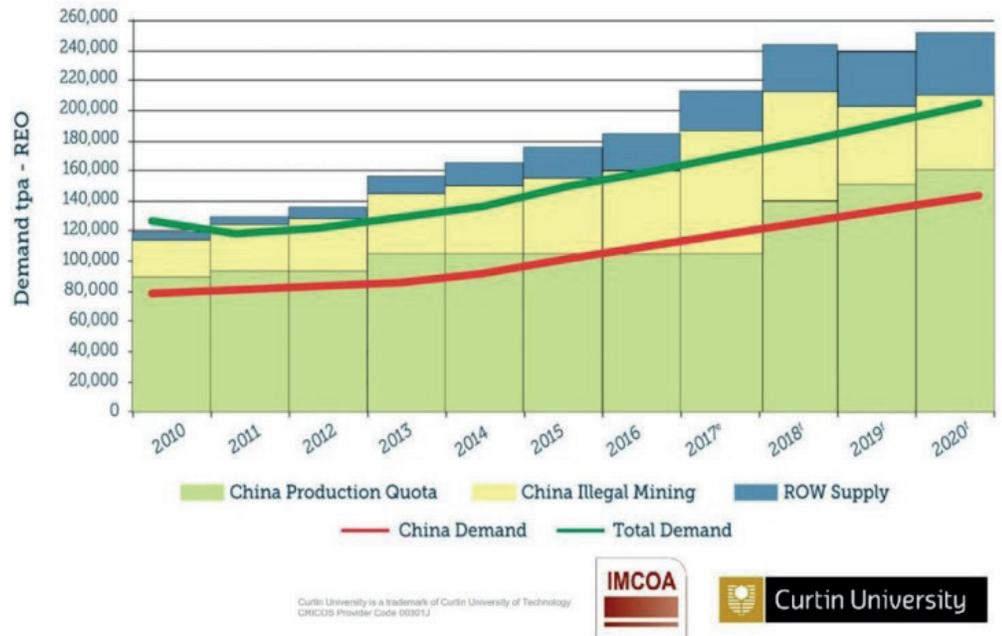
And this brings us to the exciting times we are in today – along with the exciting possibility that Commerce Resources and its Ashram REE Deposit will rise to the top of the REE junior field like the sweet cream it is – arguably the REE project that can compete with the best REE producers globally, past and present.

The other sea change factor to consider is that China has become a net importer of REEs (and also of fluorspar, which the Ashram Deposit hosts in great quantities along with REEs). This simply means that anyone outside of China is now in direct competition with the Chinese for new sources of these critical commodities.

## Highly Competitive

Fundamentally, the Ashram REE Deposit in Québec, Canada, compares favorably to the world's largest REE producers, including the Bayan Obo REE Mine in China which shows quite plainly the most important criteria for success – being a gargantuan **carbonatite** deposit hosting the highly advantageous REE minerals **monazite** and **bastnaesite**.

## RARE EARTHS SUPPLY & DEMAND 2010-2020



## Simple Rare Earth Mineralogy is Fundamental to Production

Deposit/Region	Stage (~% of global production)	Deposit Type	Primary Rare Earth Mineralogy	Deposit Grade <sup>(4)</sup> (REO)	Mineral Concentrate Grade <sup>(4)</sup> & Recovery <sup>(4)</sup>	Comments
Baotou <sup>(1)</sup> , CHN	Production (45-50%)	Carbonatite <sup>(3)</sup>	<b>Bastnaesite, Monazite</b>	1-6%	Two concentrates 55-65% REO & 35% REO @ 60% combined recovery	Dominates global production, primary iron mine with REO by-product
Sichuan <sup>(2)</sup> , CHN	Production (15-20%)	Carbonatite	<b>Bastnaesite</b>	2-3%	60-70% REO @ >80% recovery	Second largest producing region globally
Weishan, CHN	Production (<2%)	Carbonatite	<b>Bastnaesite</b>	1-3%	Two concentrates 60% REO & 35% REO @ 80% combined recovery	Head grade is falling, lower quality material
Mount Weld (CLD), AUS	Production (5-10%)	Carbonatite (laterite)	<b>Monazite (secondary)</b>	7-11%	35-40% REO @ 70% recovery	Laterite poses significant technical challenges
Ashram, CAN	Development	Carbonatite	<b>Monazite, Bastnaesite</b>	2%	45-50% @ >75% recovery	Unique enrichment in Pr, Nd, Dy, Tb
Placers, SE Asia	Minor Producers (<3%)	Placer (heavy sands)	<b>Monazite, Xenotime</b>	<0.2% (wide variation)	50-60% REO @ >80% recovery	Source of HREO, REO co-product with Ti-Zr...
Karnasurt, RUS (Lovozero)	Production (<3%)	Granitoid	Loparite	0.9%	30% REO @ 70% recovery	Unique to Russia, REE by-product of Nb-Ta-Ti
South China Clays, CHN	Production (15-20%)	Clay	n/a (ion-absorbed)	0.05-0.2%	n/a	Potentially unique to China, primary source of HREO

COMMERCE RESOURCES CORP.

(1) Bayan Obo Mine  
(2) Includes Maoniuping and surrounding region  
(3) Remains a matter of debate but is trending consensus  
(4) Approximate

Data Source: corporate disclosure, academic publications, & consultants

Commerce Resources' management has not done anything specifically new to process the Ashram material because they did not have to.

Management set their sights on the most standard type of REE producing mines in the world, found the Ashram which compares to these world's largest REE producers, and then advanced the Ashram REE Project to where it sits now.

According to a statement from Chris Grove, President of Commerce Resources: "More capital is needed to complete the pilot plant and produce the approximately 20 samples requested by global majors who have all basically said that:

1) they are worried about future supplies and prices for the REEs, and 2) they do not want to have to depend upon a Chinese source for their own future."



Overall, Commerce Resources has had the immense support of Zimtu Capital Corp. and the patience of all debt holders who believe that Ashram is the right REE project to help solve the Western World's supply problems for these essential commodities. Zimtu Capital held 17,784,178 shares of Commerce Resources at a cost base of \$0.15 CAD per share according to Zimtu's Quarterly Report as at February 28, 2019.

Typically, the goal of a share consolidation (also called "roll-back") is to complete an equity financing sometime thereafter as the first financing after a roll-back is often one of the most lucrative for investors and as such may attract fresh capital more easily.

Note that private investors from all over the world may also participate in an equity private placement, where the company sells and issues new shares to investors, oftentimes attached with a warrant which entitles the holder to acquire more shares from the company at a fixed price exercisable for up to several years.

Existing shareholders are sometimes given priority in an equity private placement following a roll-back.

In case Commerce Resources announces its intent to complete an equity private placement after the roll-back, I plan to participate as an existing shareholder because I continue to be a strong believer in the ability of Commerce Resources' management team to advance the Ashram REE Project for the benefit of its shareholders.

Consider that the proposed share consolidation may also create the ability for Commerce Resources to be in a strong position to negotiate terms with interested parties to take the Ashram REE Project to the next level.

It's time to take the bull by the horns and make it happen – with a strong corporate structure and strong partners.

## Previous Coverage

[Report #29](#) "Commerce Resources: Like A Phoenix From The Ashes"

[Report #28](#) "SENKAKU 2 – Total Embargo"

[Report #27](#) "Technological Breakthrough in the Niobium-Tantalum Space"

[Report #26](#) "Win-Win Situation to Develop One of the Most Attractive Niobium Prospects in North America"

[Report #25](#) "The Good Times are Back in the Rare Earths Space"

[Report #24](#) "Commerce Resources and Ucore Rare Metals: The Beginning of a Beautiful Friendship?"

[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?"

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[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"



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construction, and operating of a mine may be required; the receipt in a timely fashion of further permitting for its legislative, political, social or economic developments in the jurisdictions in which Commerce 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; alternative resources and competition may be much greater than expected; changing costs for exploration and other matters; increased capital costs; interpretations based on current data that may change with more detailed information; potential process methods and mineral recoveries assumption based on limited test work and by comparison to what are considered analogous deposits may prove with further test work not to be comparable; the availability of labour, equipment and markets for the products produced; world and local prices for metals and minerals; that joint venture terms may be changed or no agreement is reached and despite positive indications, the REE deposits of Commerce may not be able to be economically mined. The writer assumes no responsibility to update or revise such information to reflect new events or circumstances, except as required by law.

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(Dortmund, Germany), the European Business School (London, UK) and the University of Queensland (Brisbane, Australia). Under [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's commodity markets for 5 years, he now lives in Switzerland and is also 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 in central Switzerland.

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