



MARKET COMMENTARY

eResearch Corporation is pleased to provide an investment newsletter, courtesy of **Rick Mills** of **AHEADOFTHEHERD.COM**. (Referred to as AOTH)

Rick Mills publishes pertinent investment articles on his website on a regular basis. He also publishes a regular investment newsletter.

Richard Mills is owner and host of **AHEADOFTHEHERD.COM**. His articles have been published on over 400 websites.

Ahead of the Herd Newsletter - 2019 Issue Four Saturday January 19th



BW: Rick's latest Newsletter, while highly informative, is very extensive. For this reason, we are separating the newsletter into six reports for publication over the ensuing days on the eResearch website. If you want to read it in its entirety all at once, just <Ctrl-Click> on the link provided below. The general theme is Commodities and why Rick believes that NOW is the right time to take or add to positions in commodities: Our six AOTH reports are as follows: (1) Why and Which Commodities?; (2) Copper; (3) Lithium; (4) Rare Earths; (5) Gold; and (6) Uranium.

COMMENT: *We continue with our publishing of six excerpts from the Newsletter. Today is the fourth excerpt, focused on RARE EARTHS.*

Link to the entire January AOTH Newsletter is [HERE](#).

NOTE: If you want to sign up to Rick's website/blog, and subscription is FREE, you can do so here: www.Aheadoftheherd.com.



Commodities are the right story for 2019



As a general rule, the most successful man in life is the man who has the best information

PART 4: RARE EARTHS

The rare earths needed for electric vehicles are neodymium and praseodymium - used for making the magnets in electric motors and generators. Rare earth elements are also used in renewable energies like wind turbines, smart phones, and a plethora of defense applications.

China typically supplies about 80% of the global rare earths market, or 156,000 tonnes. The only supplier outside China right now is Lynas Corp, which mines REEs from its Mount Weld Mine in Western Australia and processes them in Malaysia. Molycorp operated the Mountain Pass Mine in California until 2015 when it closed due to low rare earth prices. It has since restarted after being sold to a U.S.-led consortium out of bankruptcy, but does not yet process the rare earths on U.S. soil - instead sending them to China. The consortium plans to rectify that in the near future. Still, it does not change the fact that the [USA is almost 100% dependent on China for its REEs.](#)

Rare earths are central to the whole spectrum of defense technologies that are vital to every military. Without them, countries would be unable to produce much of the military hardware and equipment required for national defense. In most case there are no substitutes.

Rare earth exploration stocks went on a tear from 2010 to 2015 after China restricted its exports of REEs. They abruptly crashed after China was forced by a World Trade Organization ruling to lift the restrictions. That resulted in a torrent of Chinese rare earth exports into the market and the inevitable collapse in prices.

Today, however, the rare earth market is building up again, thanks to new restrictions on Chinese supply and a more acute need to take away the Chinese monopoly and re-gain control of elements critical to national defense.

Last week it was reported that the Chinese government published [new guidelines designed to eliminate illegal mining](#) and encourage more high-end processing. Those sterile words are code for “less polluting”. The process of extracting rare earth oxides from ore and refining them into useable products has come at a high price to the environment in China.

Could this latest crackdown be China's attempt to manipulate the REE market again? We can almost certainly bet on it. But we have another factor that could play into a rare earth revival, and that is a new high-tech arms race that is developing between the superpowers.



Donald Trump's threat to withdraw from the 1987 INF Treaty with Russia may be the catalyst that [starts a new arms race](#) between the United States, Russia, and China, as each projects military power in defense of spheres of influence outside their borders.

An arms race requires rare earths - something the USA is in very short supply of. Not only that, the United States is dependent on China for the mining and refining of rare earths it needs to expand and modernize its military.

Fortunately, we have a company that could help with that problem. First Legacy Mining Corp., now Defense Metals Corp (TSX-V:DEFN) after a name change, entered into an option agreement with Spectrum Mining Corp, for its Wicheeda Lake claims, in November 2018.

[Wicheeda Lake is a very attractive light rare earth deposit.](#)

This deposit is less than a two-hour drive from Prince George, BC, a major logistics center. Roads run right to the deposit. It has power, water, and a rail-yard very close by. It also has access to workers who are experienced miners and others experienced in chemical handling.

We think this is the perfect Rare Earth/Niobium deposit. It has exceptional mineralogy, easy metallurgy, and location, location, location. It has all the infrastructure necessary for a very low capex (capital expenditure) to be put into production. And the timing could not be better; the USA and Europe are both overwhelmingly dependent on their REE supply from China and are looking to correct that problem.

Rare earths were included in a list of 37 minerals deemed critical to national security and economic prosperity, as part of an executive order issued by President Trump in late 2017. The order is "A federal strategy to ensure secure and reliable supplies of critical minerals."

BW: We will publish tomorrow the next installment of the January 19 Newsletter from AheadOfTheHerd.com. It will focus on GOLD.

See DISCLAIMERS on the following page.



AheadOfTheHerd Disclaimer

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Richard Mills has based this document on information obtained from sources he believes to be reliable but which has not been independently verified. Richard Mills makes no guarantee, representation, or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of Richard Mills only and are subject to change without notice. Richard Mills assumes no warranty, liability, or guarantee for the current relevance, correctness, or completeness of any information provided within this Report and will not be held liable for the consequence of reliance upon any opinion or statement contained herein or any omission. Furthermore, I, Richard Mills, assume no liability for any direct or indirect loss or damage or, in particular, for lost profit, which you may incur as a result of the use and existence of the information provided within this Report.

***e*Research Disclaimer**

***e*Research Disclosure Statement**

*e*Research Corporation was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, its Subscribers (subscription is free!!!) benefit by having written research on a variety of small- and mid-cap, under-covered companies.

*e*Research also provides unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis.

*e*Research complements its corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals.

*e*Research provides its professional investment research and analysis directly to its extensive subscriber network of discerning investors, and electronically through its website: www.eResearch.ca.

*e*Research does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.