

The Rarity of Rare Earth Companies

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eResearch Corporation is pleased to provide a **PINNACLEDIGEST** article entitled:
The Rarity of Rare Earth Companies

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March 8, 2010

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The Rarity of Rare Earth Companies

March 8, 2010

Our confidence in rare earth metals is growing. We believe there will be several companies experiencing exponential growth in this sector due to the demand to develop a steady supply outside of China. As with many natural resource supplies, the emphasis has been put on Canada to come up with a new resource ready for production within 3-5 years. Due to this added pressure, many Canadian companies are moving quickly to try and prove up the next big rare earth metal resource. As investors, the key is to get behind the right one before its asset is proven and it hits mainstream investor media outlets.

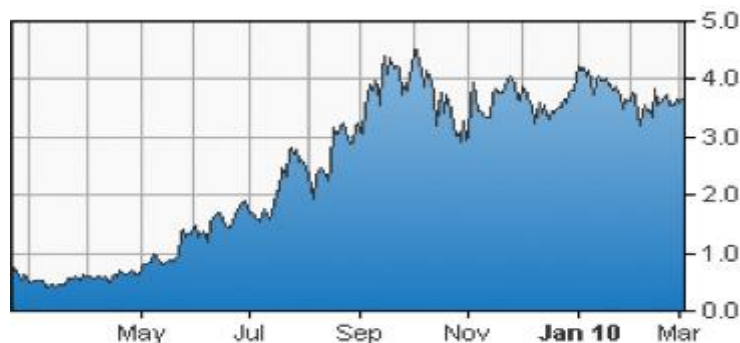
Many of the companies within North America, which have already released positive drill results within the rare earth metal sector, have experienced astounding increases in share value over the past year or two. The shocking fact about the share price appreciation is that none of these companies, despite their large market caps, are producing rare earth metals. The increase in share prices came from drill results and, at best, resource calculations. Needless to say, this is an overly speculative investment arena - and with high speculation comes the potential for incredible returns and dramatic price swings to the up- or down-side. It is not an investment for the faint of heart but, if you can stomach it, we cannot think of a resource sector with more upside potential, given the lack of serious players in the industry. Furthermore, there is incredible risk appetite from investors within this sector thanks to the lack of rare earth metals supply worldwide.

Key Fact: There are currently no rare earth producers in North America.

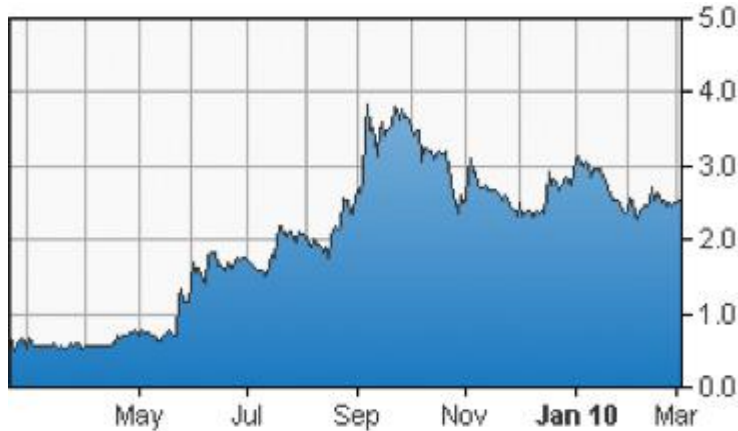
Upon researching the rare earth sector in further detail, our team discovered that only a handful of true players exist in North America, while there are no producers. Take note of the companies listed below as their share price appreciation upon developing their rare earth deposits (through drill programs and resource calculations) was nothing short of astounding.

Recently Established Rare Earth Junior Metal Companies In Canada, by Market Cap:

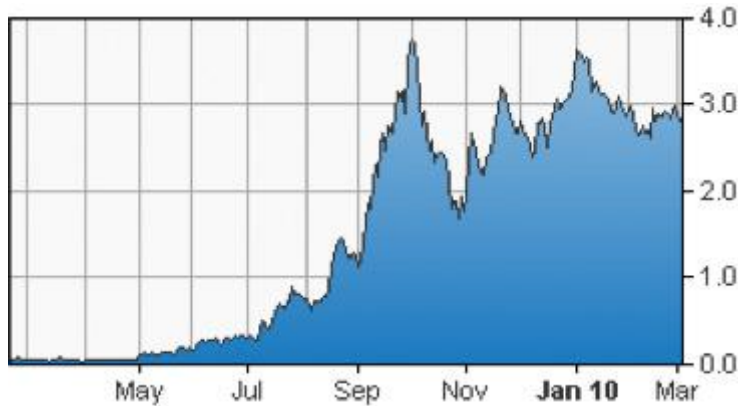
1. Rare Element Resources (RES:TSXV) Market Cap = \$107 million: (the most recognised)



2. Avalon Rare Metals Inc. (AVL:TSX) Market Cap = \$202 million



3. Quest Uranium Corp. (don't be fooled by the name) (QUC:TSXV) Market Cap = \$115 million



Peter Koven of The Financial Post comments on Quest Uranium in an article titled "Rare earth metals explode into the mainstream".

"Quest was a total unknown until it made a very well-timed foray into the rare earth business in April. Since then it has acquired land in Quebec and made a discovery, and the stock has gone on an astounding run, up more than 5,000%."

The above mentioned companies' deposits and infrastructure vary significantly. Two of the companies have a NI 43-101 but are still in a relatively early stage of growth in comparison to most advanced junior mining companies. What has given them such value and prominence is what they are going after - rare earth metals. The market is pricing in the huge demand for a domestic supply of rare earth metals and speculation is rampant. There is a lot of big money flowing into the rare earth sector right now. Even a discovery years away from production will be rewarded by the marketplace as the world's short and long term supply of these 'precious' rare earth metals remain in question.

Interestingly enough, there are less than 10 companies operating in North America with legitimate properties and actual chances of taking a swing at production in the next 3-5 years.

As existing companies fight to develop the few rare earth element deposits in North America, our team is interested in companies that have yet to experience the share value growth such as those aforementioned. As we previously mentioned, we are interested in companies which have yet to conclude significant drill programs but are sitting on well respected rare earth assets, leaving time and room for the street to speculate on their true value. As we've seen in prior situations with specific rare earth companies, positive property development can lead to massive share price increases. We have been following the management of one team in particular that we'd like to bring to your attention.

The most well known of the 5 companies listed above is Rare Element Resources whose share price went from \$0.41 to a high of \$4.69 per share over the past 12 months. It currently trades at \$3.65.

Rare Element Resources ex-CEO, Dr. Bill Bird, has resurfaced and restructured **Medallion Resources (MDL:TSXV)** to search for an economic rare earth metals deposit. Medallion Resources is our Speculative Featured Rare Earth Company of 2010.



Bill Bird was the CEO of Rare Element Resources from July 2005 to October 2007. It must be noted that, during his tenure with the company, Rare Element's share price increased from a low of \$0.17 to \$1.60 per share and saw its market capitalization more than quadruple. Dr. Bill Bird was pivotal in setting the stage for Rare Element's continued growth (currently trades at \$3.65). Also during his tenure with Rare Element Resources, Dr. Bird struck a deal with Newmont Mining, signing a definitive joint-venture agreement to explore Rare Element Resources' Bear Lodge property for gold.

Now, after almost 2 years, Bill Bird has resurfaced as the CEO and President of Medallion Resources, a company solely focused on the acquisition and development of rare earth metal deposits.

After speaking with several well respected professionals in the mining sector, and more specifically, the rare earth arena, we learned that Dr. Bill Bird is an authority when it comes to rare earth metals and has proven himself as one of the best in the business.

Bill Bird's strategy with Medallion is: Medallion will position itself, through acquisition of top-quality projects and the application of advanced exploration techniques, at the forefront of the rare earth exploration industry. Medallion's criteria for additional acquisitions emphasize heavy REE's and new types of rare earth metal occurrences that may be amenable to large-tonnage open-pit production.

Our interest in Medallion arose from Dr. Bird's involvement and the recent deal they just struck with a familiar face. We are bringing forward Medallion Resources at this time for one reason...

Dr. Bird and his team at Medallion have already made significant progress in their search for a potential world class rare earth metals deposit. Medallion did this by signing a definitive option agreement to acquire an interest in the highly respected Eden Project (located in Manitoba) with Dr. Bird's old friends at Rare Element Resources. Before we explain the working relationship which Medallion has entered into with Rare Element Resources, it should be noted that Medallion management has stated that the Eden REE occurrence is one of the top-ten North American rare earth element prospects.

Eden REE Property Highlights:

- Potential for high values of neodymium, a key component of super magnets & hybrid cars.
- Large mineralized area, high REE values & multiple-mineralization styles support target for large surface deposit.
- Property is expected to present few permitting, environmental or social concerns
- One of few REE properties in Canada within practical distance of roads, power & mining-service centres (only 6 kilometres from a major highway and only 20 kilometres from Leaf Rapids, where hydroelectric power is available).
- Mining-friendly Manitoba is considered the second-best jurisdiction in the world for exploration & mining.

On February 23rd 2010, Medallion and Rare Element Resources completed a definitive option agreement. The details are as follows:

Option to Acquire an Interest in the Eden Project -- Medallion has an option to earn a 65% interest in a joint venture (the "Option") to explore the Eden REE property, which comprises eight crown mineral claims (1871 hectares). In order to maintain its Option, Medallion, over a five-year period, must complete the following work-commitment expenditures and payments and share issuances to Rare Element Resources Ltd, the property owner and potential joint venture partner:

Five-Year Option to earn a 65% interest	Cash payment	Medallion's common shares	Work completed
At signing of the letter of intent	\$25,000		
At signing of the definitive agreement	\$25,000		
Upon TSX Venture Exchange's approval	\$50,000	200,000	
End of first year	\$50,000	200,000	\$250,000
End of second year, an additional	\$100,000	200,000	\$500,000
End of third year, an additional	\$200,000	200,000	\$500,000
End of fourth year, an additional	\$500,000	500,000	\$500,000
End of fifth year, an additional	\$500,000	500,000	\$500,000
TOTAL	\$1,450,000	1,800,000	\$2,250,000

Production from the claims is subject to a 3% Net Smelter Return royalty ("NSR"), which is in favour of the prospector that originally staked the claims. Half of this NSR may be purchased for \$1.5 million.

Upon completion of the payments and work commitments, Medallion may exercise its Option to acquire its interest in a joint venture with RES, which will be created to explore the Claims (Medallion will hold 65% and RES will hold 35%). At that time, the Claims will be deeded to the joint venture. Medallion will be the operator of the project during the Option period and, as the majority interest holder, it will be the operator of the joint-venture project, as well.

Eden Project Location



Medallion's Immediate Plans at Eden Lake

Medallion's plans for the 2010 Eden REE Exploration Program are quite extensive. Management has cited that with the recent REE discoveries and the early stage of work at the Eden property, the opportunity for the definition of significant mineralization is exceptional. A two-phase program is needed to further this definition. The first-phase-program goal, which will be completed in 2010, is to locate drill targets throughout the eight-square-kilometre, intensely mineralized REE core area.

These targets will focus on the following:

- Expanding the volume of known REE-rich carbonatite.
- Testing for a large REE-rich carbonatite stock at depth.
- Expanding the volume of known REE-rich pegmatite.
- Exploring for additional REE-rich hydrothermal veins.
- Assessing areas of potential metasomatic enrichment of the REE's.
- In all occurrences, assessing potential for the more-valuable heavy REE's.



Carbonatite discovery outcrop, Eden Lake carbonatite complex

The previous exploration work, particularly the 2002 discovery and characterization studies and the 2006 reconnaissance drilling, provide a good basis, including known untested targets, for this first phase of a new generation of work at the Eden Project.

Mining in Manitoba

As mentioned earlier, the Eden Project is located in the favourable mining province of Manitoba. Manitoba has been selected as the second-best jurisdiction (among 72 worldwide) in which to explore for, and mine mineral resources by Fraser Institute's Annual Survey of Mining Companies in 2008/2009. This is a very notable piece of information and something that adds to our confidence in continued development and support from the region. As a project advances, knowing you have the government on your side is vital.

Medallion has no issues with First Nations, Metis, aboriginal or other communities within the Eden REE Project claims or the Eden Lake ASI. There are no known endangered species within the Eden Lake ASI and there are no environmental organizations that have any unusual interest in the Eden REE Project claims or the Eden Lake ASI.

Eden Lake's History

Rare-earth elements have been known at Eden Lake since 1988, when detailed sampling by the Manitoba Energy and Mines Minerals Division discovered elevated levels of REE's in the core area of the Eden Project. At that time, the discovery garnered only moderate interest because REE's were not thought to be of great importance. As with much of Manitoba, gold, nickel and base metals were of far more interest than REE's. The tide is turning.

Now that rare earth elements/metals have entered a period of increased demand, support for projects such as Eden Lake will exist.

In last week's newsletter we talked about just how serious the US Government is taking the shortfall in rare earth supply.

Key Fact: In early 2009, US Congress ordered the US Government Accountability Office to undertake a comprehensive review of US dependence on rare earth metals for their use in military applications (night vision goggles, range finders, precision guided munitions and cruise missiles are a few examples).

This is the tip of the iceberg when it comes to the demand frenzy. China, which is responsible for over 95% of the world's production, has begun hoarding rare earth metals as a way to increase prices and ensure its own ability to sustain technological advances for years to come.

Last week we quoted Jack Lifton, an independent rare earth metals expert, who commented "China has reduced exports of the metals since 2004. If that policy continues, the world could face a huge shortfall. At end of 2015, China will no longer be exporting rare earth metals. If the West has not found its own manufacturing, then the West will be no longer making rare-earth-based end products."

As our dependency on technological products increases and infiltrates every aspect of our lives, demand for rare earth metals will only increase. If you use a phone, computer, watch TV or drive any type of electric vehicle you can relate to this. Those are just four of the thousands of products which use rare earth metals. North America has no choice; it must establish domestic producing resources or risk dependency on foreign nations.

Medallion Resources (MDL:TSXV) is a junior rare earth element company at the beginning of its growth stage. There are very few rare earth players in the market right now and with such high speculation occurring in the industry, this sector can't be overlooked.

All the best with your investments,

Postscript:

Financial Post excerpt from article titled "**Rare earth metals explode into the mainstream**" written by Peter Koven.

Experts said that demand has been growing about 10% a year, but there are expectations that it could accelerate over the next decade because of growing use in green technology sources like hybrid cars and wind turbines. That is an issue, because more than 90% of global supply of these metals comes from one place: China. And, it's no surprise, China is looking to keep more for itself.

In the past few weeks, the Chinese government has talked about placing export quotas on some rare earth metals, and outright export bans on others. China seems especially keen on using its dominance in rare earths to bring more value-added manufacturing into the country. "There are lots of geopolitical overtones to it and it's highlighting the vulnerability of the rest of the world to the fact that right now, China is largely the sole source of supply," said Don Bubar, chief executive of junior mining company Avalon Rare Metals Inc.