

29 September 2014



DEVELOPING A LOW COST RARE EARTH PROJECT

## Peak secures BFS funding for Ngualla Rare Earth Project

### HIGHLIGHTS

- **Total investment of ~US\$25 million from Jersey-based Appian Natural Resources Fund**
- **Investment expected to fund Peak and Ngualla Bankable Feasibility Study through to a development decision**
- **Peak to undertake further beneficiation test work to build on recent breakthrough in rare earth concentrate grade improvement**

Peak Resources Limited ("**Peak**" or "**the Company**"; **ASX Code: PEK**) is pleased to announce a financing transaction with Appian Natural Resources Fund LP or associated entities ("**Appian**"), a leading mining and metals private equity investor, to provide funding and technical expertise to complete a Bankable Feasibility Study ("**BFS**") for its Ngualla Rare Earth Project in Tanzania.

Subject to executing final documentation, meeting various conditions and milestones, Appian's overall investment will total approximately **US\$25 million** and is anticipated to fully fund the Company through the BFS to decision to mine.

Peak's Managing Director Darren Townsend said, "We are delighted to have attracted a group of Appian's calibre as a cornerstone investor in the Company and long-term partner to help Peak's management team develop the Ngualla Rare Earth Project. Appian brings extensive operational and financial talent to supplement the Peak team and accelerate the timetable to production. We also look forward to being able to utilise Appian's extensive network of financial relationships to assist the Company progress through the BFS into project financing and ultimately into production."

The transaction comprises of two key components:

- 1) Bridge Loan Facility ("**BLF**")
- 2) Principal Transaction ("**PT**")

Debt facilities of US\$3 million of the BLF have been made available to Peak's indirectly-owned Tanzanian subsidiary PR NG Minerals Limited, ("**PRNG**"), the 100% owner of the Ngualla Project, to allow Peak to rapidly progress further beneficiation test work to build on the success of its recent beneficiation breakthrough (see ASX Announcement titled "**Ngualla Rare Earth Project Beneficiation Breakthrough**" dated 7 August 2014).

### Bridge Loan Facility (Binding)

The BLF is for a total of US\$3 million (in two tranches, with the first for US\$1 million) and has a term of 12 months at 15% interest with the principal and interest being repayable in a lump sum.

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In order to fast track the development studies, Appian has agreed to provide the first tranche of the BLF for US\$1 million notwithstanding that it will not be fully secured at the time it is made, due to the time required for registering of the Tanzanian security package.

The terms of the BLF also include granting Appian the option to purchase a 2% Gross Sales Royalty ("**GSR**") payable quarterly and based on the future sales revenue from the Ngualla Project.

In the event that the PT does not close due to Appian formally withdrawing from negotiations to implement the PT, the GSR would not take effect and PRNG would be required to repay the full BLF on the 12 month anniversary date.

In the event that Peak breaches its exclusivity provisions the GSR would remain in effect and increase to a level of 3%.

## Principal Transaction

Appian and Peak have entered into an exclusive Non-Binding Term Sheet ("**NBTS**"). Closing is subject to certain conditions which include the execution of final documentation substantially on the terms of the NBTS ("**Final Documentation**"), completion of limited final confirmatory due diligence, receipt of any regulatory or other approvals required and final approval of the Appian board. Closing is expected to occur on or before 30 November 2014.

Key terms of the PT on closing are:

- 1) Appian to subscribe for approximately 50.1 million Peak shares at a price of A\$0.09 (raising approximately A\$4.5 million). This represents a 1% discount to the 30 day ASX traded VWAP share price and will result in Appian holding approximately 13% of the enlarged share capital of Peak. From the date of the Final Documentation, Appian will be entitled to nominate two directors to the current Peak board. Following the appointment of Appian's nominees there will be a maximum of six directors on the Peak board. Appian's right to the two board seats will remain subject to Appian holding, or being entitled to hold, a shareholding in Peak of at least 10% of the issued share capital or a direct or indirect interest of 20% or greater in the issued share capital of Peak's 100% owned subsidiary, Peak African Minerals ("**PAM**"). PAM is a Mauritian company that currently owns 100% of the shares in PRNG. Appian will also be granted additional rights for an equal number of directors as Peak for the board of PAM, including the right to nominate the Chairman with a casting vote, subject to Appian's direct or indirect holding in the issued share capital of PAM being 20% or greater.
- 2) A payment of up to approximately US\$5.2million will be made to PRNG to purchase the GSR referred to in the BLF. This payment will be offset against any principal plus interest from the BLF already provided and the BLF would then be at an end.
- 3) Appian will be granted a Convertible Note ("**CN**") for approximately A\$2.6 million by PAM/Peak at a conversion price of A\$0.103 cents per share with a term of two years.

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Upon Peak shareholder approval being received (if required) and subject to the receipt of any regulatory approvals that may be required, Appian will convert the CN which will result in Appian being issued with approximately 33.4 million additional ordinary shares in Peak, increasing Appian's total interest in Peak to approximately 19.9%.

Should Peak shareholders not approve the CN, it will be settled by the issue of shares in PAM. This would provide Appian with an additional 4.99% interest in PAM.

- 4) Subject to the BFS meeting certain pre-determined milestones, the key terms of which are to be agreed, Appian will invest up to a further A\$14.1 million (approximately) in PAM for up to a 37.5% interest in the issued share capital of PAM. This investment will comprise of three equal tranches of approximately A\$4.7 million, each. Tranche 1 will give Appian a 16.67% interest in PAM, Tranche 2 a total interest in PAM of 28.57% and Tranche 3 a total interest in PAM of 37.50%.

The first tranche is payable on completion of the PT.

Subject to meeting all milestones, Appian's overall investment will total approximately **US\$25 million**, and is anticipated to fully fund the Company through the BFS to decision to mine.

## **Security**

Forms of security for Appian customary for a transaction of this type have been agreed and will be registered to secure the BLF and the GSR including share pledges over the shares in PAM, PRNG and asset level security given by PRNG. The BLF also benefits from a parent guarantee from Peak.

## **Advisors and Transaction Fee**

A transaction fee of 6% is payable to a number of parties upon the investment tranches being unconditionally received by Peak, PRNG or PAM. WH Ireland Limited and Merlin Partners LLP in London acted as Peak's lead financial advisor for the transaction. Steinepreis Paganin is acting as Peaks' lead counsel.

Macquarie Capital (Europe) Limited acted as Appian's lead financial advisor for the transaction with Standard Chartered acting as a co-financial advisor. Norton Rose Fulbright is acting as Appian's lead legal counsel.

## **About Appian**

Appian Natural Resources Fund is a private equity fund which has been established to invest specifically in the metals and mining sector. Appian has a uniquely collaborative investment approach that seeks to partner with local owners, managers and investors to leverage its world-class operational and corporate finance expertise. With this value-add approach and long-term investment horizon, it aims to generate significant value for the investors and other stakeholders of both the Company and Appian.

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## **Next Steps**

It is currently expected that final documentation for the PT will be completed prior to the end of October 2014 and both Appian and Peak are working with their respective advisors and legal teams to finalise the documentation.

**Darren Townsend**  
Managing Director