

# Peak's pro-Chinese strategy in Tanzania proves highly strategic

Peak Resources Ltd. ('Peak', ASX: PEK | OTCQX: PKRLY) delivered a promising pre-feasibility study (PFS) last February, which demonstrated the extent of Peak's effective in-house capabilities and support from external consultants. The PFS highlighted the quality of the resource and the 58 year mine life and the very competitive CAPEX. In the current climate of tight financing, it is critical to lower capital expenses and work toward as low operational costs as possible. Peak's scoping study, after various tweaks, dropped to 367 million from 373 million, including a previously unaccounted 30% contingency, which translates to a savings of some 90 million off the underlying CAPEX number. The Ngualla Project was a virgin discovery in 2010 and that it has only taken four years to go from discovery to PFS. The Ngualla project is located in southwestern Tanzania, which is one of the best mining jurisdictions in Africa, having a comprehensive and fair mining legal framework. Peak's Ngualla deposit has a maiden mineral resource of 170 million tons at 2.24% REO, making it one of the largest and highest grade rare earth deposits in the world.

The Ngualla Project itself offers metallurgical advantages  given the fact that the deposits have shown a mineralization, bastnaesite – typically rich in lanthanum, cerium and most importantly in yttrium – with very little uranium and thorium content, which eases processing and reduces capital cost requirements. Peak expects production to begin in mid 2017. Meanwhile, in 2014, Peak will be working toward concluding discussion with some strategic partners including an MOU being negotiated with a Chinese group. China is indeed interested in East African minerals and several

Chinese mining firms have taken stakes – and considering further investment – in projects in Tanzania and the Indian Ocean, which is an ideal area for export logistics to China. Last December, Peak announced that it had secured a non-binding Memorandum of Understanding with a Chinese rare earth producer to help in the processing and beneficiation of the Ngualla resource. The unnamed Chinese company is said to have a well established marketing network and located close to port facilities and other important transportation infrastructure. India has also shown interest in this region as shown by the effects on the East African coal sector.



Tanzania is one of Africa's most politically stable and economically promising countries in Africa. Recent and significant offshore gas discoveries will only serve to increase investment interest in Tanzania, already East Africa's second largest economy. Tanzania offers a very important advantage when it comes to commodities trading: well developed shipping ports; moreover, significant discoveries of natural gas will also contribute to growth and infrastructure development, helping to improve and boost power generation even in the most remote areas. Tanzania expects to 'graduate' from Least Developed Country (LDC) status into a middle income nation by 2025 and it has India and China as its targets.

In view of an election in 2015 some Tanzanian politicians have proposed amendments to the tax incentives – through the 2014 'Value Added Tax Bill' that has not been officially presented before parliament for debate – offered to international mining companies developing projects in Tanzania such as Peak Resources. The government wants to increase income from the resource sector; however, several government members are not convinced taxing foreign investors is the right way to approach the problem. There is no certainty that the amendments will pass since exploration companies could

protest, citing violations of binding agreements. Nevertheless, even if the Government should adopt such legislation, it would be limited in scope and some exemptions would remain. The ruling Chama Cha Mapinduzi (CCM) Party, for one, is displeased with the Bill and its potential to distance the business community on which much of its support rests, especially given that the incentives were designed to attract foreign companies. In this respect, Peak's efforts to links with Chinese investors may prove highly beneficial. Chinese companies have tripled investment in Tanzania since 2011 and China has certainly become the main foreign investor in the country. Moreover, China is not just investing in extractive industries; it is offering significant aid in the form – among other things – of a USD\$ 10 billion port in Bagamoyo, northwest of capital Dar es Salaam, the capital of Tanzania, which will be one of the largest and efficient in Africa, boosting Tanzania's overall competitiveness.