

# **Single-minded approach to rare earths offers compelling proposition to large investors**

Peak Resources Limited (ASX: PEK) is a company that I've always liked as I found that management has a single-minded approach to developing the Ngualla project as well as very clear communications with stakeholders, which makes Peak's proposition compelling to large investors. Consequently, the project has managed to attract strategic partners including Appian Natural Resources Fund (Appian) and the International Finance Corporation (IFC).

In July Peak received its A\$1.3m stage 2 investment funding from "Appian" and IFC, which will be used to complete the bankable feasibility study by 1Q17.

Over the second quarter, Peak continued to advance the project. The final pilot plant of the three stage-process has now been successfully commissioned and the piloting facility is now underway. In addition Peak has identified a number of potential sites in Europe for a rare earth refinery which is expected to be close to transport and key infrastructure to enable the supply of reagents.

From a regulatory perspective, the Company's ESIA Scoping Report has now been received from the National Environment Management Council (NEMC) in Tanzania. This is an important milestone as acceptance of the NEMC is necessary for the issuance of an Environmental Certificate (EC), which is in turn is needed to obtain a mining license.

We expect that when the Company reveals their third quarter activity that there will be clarification on whether a new

investor is expected to come on board as well as whether management has been able to secure off-take agreements with strategic partners. The Company's share price has come off around 15% over the last quarter and 5.36% since the beginning of September and we feel that clarity on both these issues are expected to restore investor confidence.

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## Choosing the “Rocky” Road to Rare Earth Production

Here at **Investorintel** we often muse about what can be salvaged from the wreckage of Molycorp and while opinions differ wildly on the residual value of the hardware and real estate (not to mention the intellectual property) there are some assets that were embedded at Molycorp that are infinitely transferrable and indeed have already been transferred.

It was a very interesting move to see Rocky Smith captured by Peak as Chief Operating Officer – Development. This became effective from the 5th of January 2016. He was previously the Managing Director of Molycorp's Mountain Pass Rare Earth complex from July 2009 to August 2015. Essentially Peak has picked up one of the few people with current experience of practical, specialist and technical rare earth operations.

His skillset span management, operations and engineering. Most recently he was responsible for operations at Molycorp's mining and processing site at Mountain Pass where he managed 500 employees and an annual operational budget of in excess of US\$150 million. He recruited, developed and led the team responsible for the implementation of the redesigned and expanded Mountain Pass operation. His work included the

establishment of management systems, debottlenecking and the delivery of expansion programs which boosted production capacity by 230% over three years.

Between 1989 and 2000 he worked for FMC Corp and between 2000 and 2008 for the Talc miner, Barretts Minerals.

Before that I worked with Eti Soda in Beypazari, Turkey as a technical expert on a soda ash plant start up in 2009. From 2000 to 2008 he was employed by Minerals Technology at their Barretts Minerals property (a talc mine) in Dillon, Montana, most of that time as the Plant Manager with responsibility for everything from the mine thru the facility. From 1989 thru 2000 he worked for FMC, first in gold at Paradise Peak as Chief Metallurgist and then Plant Superintendent, then he moved to the Green River site and again worked as Technical Superintendent for the site and then as an Operations Superintendent for one of their large natural soda ash plants.

In the range of metals dealt with he has also worked in uranium, vanadium, gallium, germanium and base metal sulphide flotation recovery.

He holds a Bachelor of Science degree in Chemistry and has over 35 year's operations and senior management experience in the mineral processing sector. He has relocated from the United States to Perth, Western Australia.

The number people on the planet, who are not Chinese, that know how to put together the soup to nuts of Rare Earths production can be numbered on one hand (and of someone whose lost a few fingers..) so Peak have bagged themselves someone with a "rare" skillset.

## **Ngualla**

Peak's sole focus is the Ngualla project in Tanzania which it is pursuing in conjunction with its partners Appian and IFC. Ngualla is a large high-grade rare earth deposit, particularly

gifted in the magnet metals neodymium and praseodymium. The PFS mooted capex of around US\$367mn, including 30% (US \$85 million) contingency.



Peak has commenced the Bankable Feasibility Study for the Ngualla Project and has appointed AMEC Foster Wheeler as the lead engineer for the study. Early indications are that a rejigged scenario for the production process due out in coming weeks could show a sizeable reduction in the previously mooted capex.

### **Prepping the Marketing Effort**

Also in the first few weeks of the New Year, Peak announced that Michael Prassas was joining as Executive General Manager – Sales, Marketing & Business Development. He had previously been Global Account Manager for Automotive Catalysis and Sales Manager – Rare Earth Systems for leading global chemical company Solvay. That Belgian group had acquired Rhodia-STER, the large French REE trading house (and chemical company) in 2011.

He was at Solvay from September 2012 where his primary responsibility was for Rare Earth Mixed Oxide sales in Europe and Africa. He over 20 years' experience in sales and marketing (also at OEM and Tom-Tom) with his focus being the negotiation of long-term supply contracts with global accounts and developing business relationships and offtake agreements with some of the world's largest automotive companies.

He has a degree as a Business Economist from the North Stuttgart School of Business Administration where he studied economics, majoring in foreign trade, human resources and financing. He is expected to relocate from France to Perth in the first quarter of 2016.

Clearly Peak are not relying on the failed "build it and they

will come” school of thought, that so many others have posited, and want to make sure customers are lined up in advance for Ngualla’s output.

## **Conclusion**

When an explorer moves up to the stage of making the commitment to corralling the team for mine building and operation then one can finally be reassured that the “rubber is hitting the road”. The two most recent hires go beyond mere mine-building and are looking to the end production and selling phase. Beyond that Peak has decided to go for heavyweights with experience in the biggest players in the rare earth space.

In particular its hire of the (re)builder of Mountain Pass comes freighted with “lessons learnt” in constructing a major Rare Earth mine. Peak’s Ngualla development will be much more bite-sized and with management’s feet firmly on the ground the pressure to build something pharaonic will not be there. That Peak feels it can and will be done is further accentuated by the hiring of personnel to move the product out to the marketplace when production starts to roll.

Again, in Peak, we find a case of “hare & tortoise” with a below-the-radar REE hunter moving further down the road to the end goal, verily as some of the household names of the REE space fold up their tents for the last time having burned through enormous piles of money with nothing to show. With the team in place we now await the reformed capex plan in the next few weeks and the move to funding.