

Peak Resources attracts new investors, easing path to production

☒ Any discussion about rare earths inevitably leads to China, because it enjoys a near monopoly in the production of rare earths. Years of price dumping have made it very difficult for competitors to enter the market, enabling China to have built an absolutely dominant position in the mining and processing of such metals as neodymium, terbium or dysprosium. However, slowly, new competitors are getting ready to enter the market; some like Molycorp in the United States and Lynas Corp in Australia and Malaysia have already started to produce rare earths, even if mostly light rare earths. China has also started to enforce stricter industrial and customs rules, reducing the amount of rare earths smuggled out of the country, which will force end users to seek alternatives. China's rare earths dominance should start to ease considerably in the next few years. Africa has the potential to become one of the new sources of heavy rare earths thanks to a series of projects being developed in various parts of the continent. One of the most promising of these is located in Tanzania and it is being developed by the Australian company Peak Resources (Peak: ASX: PEK) the Ngualla Rare Earths Project.

The Ngualla project is located in southwestern Tanzania, which is one of the best mining jurisdictions in Africa. It is rich in the currently high demand 'magnet metals' such as praseodymium. Peak has also entered discussions with strategic partners, having entered talks to sign a memorandum of understanding (MOU) with a Chinese rare earth producer based in a port city in northeast Jiangsu Province, with facilities and technical expertise in the beneficiation, processing and separation of rare earths into high purity rare earth products

and an established marketing network. China is indeed interested in East African minerals and several Chinese mining firms want to secure positions in projects in Tanzania, which is an ideal area for export logistics to China. The MOU in question is likely to continue pursuing the processing and beneficiation of the Ngualla resource.

The initial studies revealed ideal geological conditions allowing for a relatively simple processing method. The mineralization is not radioactive since the proportion of uranium and thorium is among the lowest of all major rare earth projects in the world. The ratio of overburden occurrence is low and the resource is distributed such as to allow for open pit mining. The deposits are believed to be the fifth largest outside the People's Republic of China. The capital cost is estimated at USD\$ 400 million with an annual income of some USD\$ 360 million. Peak Resources wants to set up a pilot project next and then in 2016 start of commercial production.

On September 29, Peak announced that it has secured funding for the Ngualla Rare Earth Project thanks to a USD\$ 25 million financing deal arranged through the Jersey-based Appian Natural Resources Fund. The funds will enable Peak to pursue and complete a Bankable Feasibility Study (BFS) and to perform additional beneficiation test work to develop a recent rare earth concentrate grade improvement. Appian runs a special private equity fund for metals and mining that was launched in 2014 specifically for investments in metals and mining company or relevant projects in selected jurisdictions featuring attractive investment opportunities. Appian has a unique cooperative approach to investing, aimed at enhancing the value of mining companies by providing capital and operational know-how. Appian's participation in the Ngualla Project represents an important 'vote of confidence' in its ultimate success. Meanwhile, Peak has managed to confront financial risks, allowing for management to focus more on the

development and optimization of its assets and creating long-term value. Appian's extensive network of financial relationships will enable Peak to benefit from additional support and assets to assist its progress.

Appian has so far agreed to offer Peak a deal structured along two main components: a USD\$ 3 million (in two tranches) Bridge Loan Facility (BLF) and a Principal Transaction (PT). The PT is based on an exclusive Non-Binding Term Sheet (NBTS) the closing of which is to occur on or before 30 November 2014. Under the PT terms, Appian has agreed to subscribe for approximately 50.1 million Peak shares at a price of AUD\$ 0.09/share (raising approximately AUD\$ \$4.5 million). Appian will be entitled to nominate two directors to the current Peak board. Appian has agreed to invest up to a further A\$14.1 million (approximately) in Peak's 100% owned subsidiary, Peak African Minerals (PAM), a Mauritius based company that currently owns 100% of the shares in Peak's indirectly-owned Tanzanian subsidiary PR NG Minerals Limited.

Appian's investment in Peak represents great confidence in the latter's recently announced beneficiation process breakthrough at the Ngualla Project in Tanzania. Peak gained some 30% in share price in the span of a month. The new beneficiation process will enable Peak to reduce its capital costs (CAPEX) as outlined in the Preliminary Feasibility Study (PFS). The savings come in the form of an improved concentrate, reaching 34.4% rare earth oxide, which gives the Ngualla Project a distinct advantage over other rare earths projects. The mineral, bastnaesite, at Ngualla "is very low in phosphate minerals, which have been already taken out of the ore body, leaving only iron as the main source of acid consumption. This produce cost savings as the Company can rely on smaller leach tanks and lower acid consumption, which translate to reduced CAPEX and operating costs. Moreover, less iron means less sulphuric acid consumption in the leaching process.