



## Peak Resources Limited (PEK.ASX)

*Vertically Integrated Long Life, High Grade Asset Enabling Value Capture*

### Disclosure

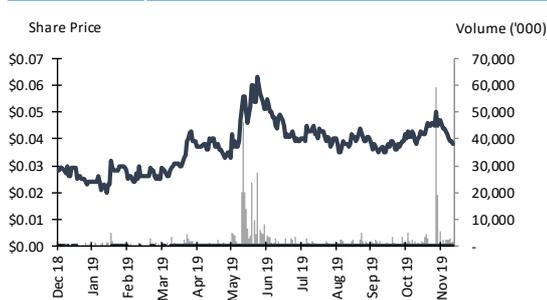
The analyst does not own PEK securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own PEK securities. Cranport Pty Ltd does not own PEK securities.

Refer to end of report for details.

**Foster Stockbroking provides equity capital markets and corporate advice to PEK and will receive consideration for this service.**

Recommendation	Speculative Buy
Previous	N/A
Risk	Very High
Price Target	\$ 0.07
Previous Target	N/A
Share Price (A\$)	\$ 0.038
ASX Code	PEK
52 week low - high (A\$)	0.02-0.63
Valuation (A\$), risked	\$ 0.07
Valuation Methodology	DCF
Capital structure	
Shares on Issue (M)	1,305
Market Cap (A\$M)	50
Net Cash/(Debt) (A\$M) est.	3
EV (A\$m)	47
Options and warrants (M)	32
12mth Av Daily Volume ('000)	2,090
Board	
Peter Meurer	Non-Executive Chairman
John Jetter	Non-Executive Director
Jonathan Murray	Non-Executive Director
Tony Pearson	Non-Executive Director
Major Shareholders	
Appian	33.4%
International Finance Corporation (IFC)	7.3%



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**Talking Point** mostly discusses stocks for which Foster Stockbroking does not provide formal research coverage. It combines both a market view and basic research analysis. The aim is to offer clients additional investment ideas that lie outside the firm's universe of formally covered stocks.

### Event:

- We initiate research coverage on Peak Resources Ltd (PEK.ASX).

### Analysis:

- **Peak Resources** is an ASX listed company targeting development of its Ngualla rare earth project in Tanzania (100% interest).
- **Long life, high grade asset, simple geology and mining:** 26 year mine life based on Reserve only, and good rare earth oxide grade (4.8% TREO) with low radionuclides. Ngualla has a large, high grade soft bastnaesite ore body with mineralisation from surface, enabling a low cost free dig open pit operation with low strip ratio of 1.8.
- **Integrated rare earth project enables value capture from processing:** proposed UK based rare earth processing refinery to capture downstream value. The company contemplates four separated REO saleable products, including high value NdPr 99% oxide. The company anticipates a competitive operating cost of US\$32/kg, on an NdPr basis.
- **Seeking export and debt finance to manage capital intensity:** management is exploring options to assist with the capital expenditure for the project. Even so, Ngualla has a small capital footprint compared to peer developers, given the company envisages separated REO products.
- **Fully proven piloted process,** coupled with mineralogy allowing low reagent consumption, and the ability to produce high grade 45% REO low mass concentrate for processing in the UK refinery. The company will use a selective leach process with low strength acids and no acid roast, and conventional material in construction, with the option to reject cerium.
- **Special Mining Licence (SML) grant and financing updates are upcoming catalysts:** the company has already completed a BFS and optimisation. PEK has received Tanzanian environmental certificates and has submitted Tanzanian SML applications for Cabinet approval. The Teesside Refinery is fully permitted.
- **Estimated cash of \$3M in December 2019 and no debt.**

### Earnings and Valuation:

- **We have derived a risked valuation of \$0.07 per PEK share.** Our valuation is underpinned by a risked NPV<sub>10</sub> of A\$475M for Ngualla and Teesside, assuming US\$365M initial capex for 2,800tpa NdPr 99% oxide production. We assume first production in FY24e and long term price of US\$60/kg for NdPr 99% oxide. On an unrisks basis, we have derived a valuation of \$0.10 per share.

### Recommendation:

- We initiate coverage of PEK with a **Speculative Buy recommendation and price target of \$0.07/share**, due to its long life, high grade asset, and proposed integrated rare earth project to capture value from downstream processing.
- **Catalysts for the stock** include: 1) granting of Special Mining Licence by the Tanzanian government; 2) financing; 3) offtake agreements; and 4) construction.