

Search Minerals may be Canada's first rare earths producer

written by InvestorNews | March 10, 2020

Preliminary comments from InvestorIntel's Publisher Tracy Weslosky: With the Coronavirus nipping at all our hard-earned portfolio heels, this is a good time to remind ourselves of the value of people, talent and knowledge. Bring these variables together and you get a competitive team. In meeting with dozens of CEOs from the resource sector during [PDAC](#) last week, I was reminded of why I have been such a fan of Search Minerals Inc. Search's CEO Greg Andrews was accompanied by Dr. Randy Miller, and when speaking with Dr. Miller, I started thinking about how many people in the industry consider him to be an intellectual giant, a leader in understanding the complex extraction processes related to rare earth elements.

I asked Jack Lifton about Search and he confirmed both my understanding and professional conclusion on Search when he replied with: *"Search is an outstanding project technologically. It's really state-of-the-art rare earth deposit development, and I think it may well be Canada's first commercial rare earth producer."*

Let me add, in addition to Dr. Miller, many of us in the industry are aware of another well-known and equally admired rare earths expert that is championing Search – Dr. David Dreisinger. We will be placing a request for Jack Lifton to do an interview with Dr Dreisinger shortly, we hope you enjoy this update on rare earth gem, Search Minerals Inc.

[Search Minerals Inc.](#) (TSXV: SMY) is focused on finding and

developing critical rare earth element mineral assets in Labrador, Canada. The Company controls properties in three distinct areas of this region; the Port Hope Simpson (PHS) Critical Rare Earth Element District in SE Labrador; the Henley Harbour Area in Southern Labrador; and the Red Wine Complex located in Central Labrador.

Search Minerals President and CEO, Greg Andrews, told InvestorIntel: *“Search is well-positioned to be a stable, secure, significant supplier of critical materials to the electric vehicle market or other industries dependent on rare earth elements, in Canada, US or Europe.”*

The Port Hope Simpson District

The Company’s Port Hope Simpson (PHS) District 100% owned property includes four promising discoveries known as Foxtrot, Deep Fox, Fox Meadow, and Silver Fox.

The [Foxtrot resource](#), [Deep Fox](#), [Fox Meadow](#), and Silver Fox discoveries contain rare earths including dysprosium (Dy), neodymium (Nd), praseodymium (Pr), terbium (Tb) and yttrium (Y).

The flagship Foxtrot Resource covers a 70 km long and 8 km wide belt. At Foxtrot the Total Indicated Resource is [7.392 million tonnes](#) with grades of neodymium oxide (1,732ppm), neodymium (1,485ppm), praseodymium (397ppm), and dysprosium (191ppm).

Search Minerals Port Hope Simpson District – Foxtrot, Deep Fox, Fox Meadow, Silver Fox and other prospects

Preliminary Economic Assessment (Foxtrot only)

The April 2016 [updated Preliminary Economic Assessment \(PEA\)](#) on the Foxtrot project resulted in a post-tax NPV10% of C\$48 million and a post-tax IRR of 16.7%, based on a 14-year mine life, and applying Search Minerals’ proprietary [Direct](#)

Extraction Process.

Initial capital cost was estimated at only C\$152 million (including a C\$33 million contingency), with an after-tax payback period of 4.4 years. Revenue estimates were dominated by Nd (39%), Dy (29%), Pr (14%) and Tb (8%).

The economics should improve significantly as the resource grows

The initial PEA post-tax NPV10% of C\$48 million on the Foxtrot Project is a bit underwhelming. On the flip side, the initial CapEx of C\$152 million is low and should be easier to fund.

The current very low market cap for Search Minerals of just C\$8 million reflects the early stage of the project and the current low NPV10% of C\$48 million. With further drilling success Search should be able to significantly grow the resource and this should substantially improve the economics. The Company's primary objective is to extend the mine life beyond the current 14 years, which usually improves the economics.

It is important to understand that the PEA was ONLY on Foxtrot and Search has other rare earths discoveries (Deep Fox, Fox Meadow, Silver Fox and others) nearby. As these are drilled the resource and economics will most likely improve significantly.

The US and Canadian Governments are now more eager to help fund rare earth projects

Greg Andrews, President and CEO of Search Minerals, [stated](#): *"We are very encouraged with the recent Canada and US collaboration announcements, the US Department of Defense request for funding proposals. Search has participated in the process outlined by Defense Protection Act (Title III), as Canadian projects are considered a Domestic Source, and are eligible to apply for these funding initiatives. Search continues to provide*

information under these US led funding programs.”

In recent news, Search Minerals [announced](#) receipt of funds from Atlantic Canada Opportunities Agency for cost and design studies. The funding was for up to \$50,000 towards the completion of two engineering studies to further advance the Company’s Critical Rare Earth Element District in South East Labrador, Canada.

As a part of the above-mentioned studies, Search intends to update the 2016 Foxtrot PEA to incorporate the improved recoveries shown from the pilot plant work.

Search Minerals President and CEO Greg Andrews told InvestorIntel:

“Search has benefited from the support of both Atlantic Canada Opportunities Agency (“ACOA”) and InnovateNL as collectively, they have provided over \$2.5 Million towards our processing technology.”

Current and next steps for Search Minerals

Search has completed 2 continuous pilot plants which each have produced a 99% high purity mixed rare earth concentrate thereby reducing metallurgical risk which will help in the off-take process.

The next steps for Search will be the design of a 1/100th scale demonstration plant to be built on-site in St. Lewis, Labrador, the completion of a 3,000m Phase III drill program at Deep Fox, further channel sampling at Fox Meadow to make the prospect drill ready, and further exploration on Silver Fox and Awesome Fox projects.

Search Minerals CEO stated to InvestorIntel: *“Search Minerals has two of the world experts on rare earth geology and*

processing on the executive team. Dr. Randy Miller and his team have staked, explored and interpreted the geology of our 70km X 8km rare earth district in SE Labrador. Search has two 43-101 resource estimates at the Foxtrot and Deep Fox deposits. Dr. David Dreisinger has developed our patented direct extraction technology and worked with our test work providers from bench scale to the operation of two successful pilot plants. We believe our low cost (C\$152 Million) rare earth project provides a key advantage to be the next REE producer, to support the upward trending permanent magnet market.”

Closing remarks

Investors in early-stage exploration and development projects such as Search Minerals ‘Fox’ projects in northern Canada need to be patient and give a company a 5-year time frame to build a considerable resource. In this case, the beginnings are already there, they just need to be further drilled and expanded. Should the drilling continue to find reasonable or high-grade rare earths then the later stages of the project may be easier than other projects given the large US and Canadian demand to establish a reliable non-Chinese supply chain of rare earths. Recent Canadian government support confirms this.

One thing is for sure, the world will continue to love their electronic gadgets and the EV and green energy boom is not going away anytime soon. This means the demand for rare earths will only get stronger each year, and projects such as Search Minerals Port Hope Simpson Critical Rare Earths Project are likely to be the future winners.