

TORONTO, Aug. 20, 2015 /CNW/ - [Frontier Rare Earths Ltd.](#) (TSX: FRO) (US:FREFF) ("Frontier" or the "Company") announces that it has completed the strategic review that commenced in Q1 2014 and that as a result thereof a Special General Meeting of Shareholders will be convened on September 16, 2015 at the Sofitel Le Grand Ducal, Luxembourg at 2.00pm Luxembourg time (8.00am EST) (the "Meeting") to consider and vote on a resolution to delist the shares of the Company (the "Shares") from the facilities of the Toronto Stock Exchange ("TSX").

Background to the Strategic Review

Over the past three years Frontier has consistently stated that it believed that the trading price of the Shares on the TSX did not fairly reflect either the inherent value of the Company or its assets. The Company believes that this valuation disparity has been principally due to the highly unfavourable market conditions for listed junior natural resource exploration and development companies that have been created by the depressed price levels of most commodities during this period.

With global demand growth for commodities slowing, commodity prices have continued to fall, with the Bloomberg Commodity Index, which comprises 22 commodities across seven sectors, recently closing at its lowest level in 14 years. Sentiment in relation to the listed rare earths sector has also been negatively affected by, inter alia, the significant financial and operational challenges that have been encountered by the two leading western rare earth producers, of whom one, [Molycorp Inc.](#), filed for Chapter 11 bankruptcy in June 2015 with debts of approximately \$1.7bn. Rare earth prices have also recently hit five-year lows. These issues have resulted in a loss of confidence by the markets in the ability of any of the junior rare earth developers to secure the finance required to develop their respective projects through the conventional listed equity and debt capital markets.

As a consequence of these market conditions and notwithstanding the very considerable progress made by the Company in advancing the Zandkopsdrift project, Frontier's share price on the TSX has remained low, with a market capitalisation close to or below the Company's net cash balance, for an extended period of time, effectively attributing minimal value to the Company's assets.

The Company has undertaken several initiatives over the past three years with the objective of ensuring that the trading price of the Shares better reflected what the Board believed to be an appropriate valuation of the Company and its assets. These included two normal course issuer bids (share buybacks) and various public relations, investor relations and other marketing campaigns. These initiatives have had very limited and only temporary positive impacts on the trading price of the Shares, and have been insufficient to overcome the considerable negative sentiment in the junior resource sector.

Prospects for Zandkopsdrift and the Rare Earths Market

Despite the current negative sentiment in the junior resource sector in general and the rare earths sector in particular, the Company remains positive about the prospects for both the Zandkopsdrift project and the rare earths market generally.

The results of the Preliminary Feasibility Study ("PFS") undertaken on the Zandkopsdrift project, which were announced in May 2015, confirmed the Company's view that the Zandkopsdrift project has the potential to be one of the lowest cost and highest margin new producers of high purity separated rare earth oxides outside China. The Company also continues to believe that the medium to long term prospects for the rare earths industry remain positive, with demand, particularly for those high value critical rare earths that are used in magnet and other selected technology-related applications, projected to continue to grow for the foreseeable future. With limited supply growth expected both inside and outside China, shortages of some of the critical rare earths are likely to occur in the absence of new mine developments.

Strategic Review

In Q1 2014 the Company announced that it had initiated a strategic review of the potential strategic alternatives available to the Company that could assist in creating and ultimately realising maximum shareholder value in the context of the challenging market conditions described above. As part of this review, consideration was given to various forms of corporate reorganisation and strategies including one or more of: taking the Company private; a sale of some or all of the Company's assets; a distribution of some or all of the Company's assets to its shareholders; delisting the Company; or securing a secondary or alternative listing for the Company. The strategic review also considered, inter alia, the following:

- The market capitalisation of Frontier, both in absolute terms and relative to its sector peers;
- The outlook for the junior resource sector and equity capital markets generally;
- The likely funding requirements to develop the Zandkopsdrift project, as detailed in the PFS, both in absolute terms and relative to the Company's market capitalization;
- Feedback from various advisers, banks, financial investors and the Company's own advisers, on the prospects of securing funding to develop the Zandkopsdrift project from the listed equity and debt capital markets;
- Feedback from potential sovereign and strategic investors;
- The market response to the two share buybacks and the other investor and public relations activities undertaken by the Company;
- The results of the PFS, which confirmed the technical feasibility and robust economics for the Zandkopsdrift project, and the market reaction to these results; and
- The outlook for the rare earth market and commodity markets generally.

Conclusion of the Strategic Review and Proposal to Delist

The strategic review was concluded in July 2015. The principal conclusion of the review was that the most likely sources of the

requisite funding to enable the Company to advance the Zandkopsdrift project into production was from sovereign and/or strategic investors that: (i) have the ability to take a longer term view of the opportunity provided by and potential financial returns from the Zandkopsdrift project; and/or (ii) consider access to or gaining control of a secure, low cost supply of rare earths to be a strategic long term imperative.

With significantly reduced liquidity and very limited equity capital available for junior resource companies on the TSX and other markets, the Company has focused much of its recent corporate development activities on developing relationships with potential sovereign and/or strategic investors, certain of whom have signed confidentiality agreements with the Company. In the course of discussions with potential partners and investors, it has become clear that the low market capitalisation of the Company is a significant impediment to being able to progress discussions in relation to valuation on a basis that the Company considered to be fair, reasonable and in the best interests of all shareholders. Considering this point, and the Company's view that the prospects of securing the level of funding required to advance and develop the Zandkopsdrift project from conventional financial investors in junior resource stocks are very low, the Company has concluded that developing and continuing discussions with potential sovereign and/or strategic investors should continue to be the focus of the Company's corporate development activities, and that such discussions would be better conducted for the benefit of all shareholders as an unlisted company.

Accordingly, the Board has resolved that the Company should apply to the TSX, subject to the approval of shareholders, to delist the Shares from trading on the TSX. Subject to the proposed delisting being approved by shareholders, Frontier plans to develop and continue discussions with those sovereign and/or strategic investor(s) who could potentially provide the requisite funding to support the continued development of the Zandkopsdrift project and/or acquire a shareholding in the Company and/or the Zandkopsdrift project which could also potentially facilitate a liquidity event for shareholders. These discussions will include the Company's existing strategic partner, Korea Resources Corporation, which acquired a 10% fully participating interest in the Zandkopsdrift project in 2012 and continues to be supportive of the Zandkopsdrift project and remains actively engaged with Frontier.

Voluntary delistings from the TSX are undertaken in accordance with Section 720 of the TSX Company Manual, under which the approval of a majority of eligible shareholders is required. In relation to the Meeting, the shares held by Philip Kenny (Chairman), James Kenny (CEO), Lambeth Nominees Limited, Westminster Nominees Limited and Blenheim Management Services Limited, and shares held by the Company as treasury shares which amount to approximately 52.3% of the current Shares in issue, will not be considered eligible to vote at the Meeting.

A circular will be sent to shareholders on August 20, 2015 with further details in relation to the proposed delisting of the Shares and the Meeting. The Board of Directors believes that the delisting of the Shares is in the best interests of the Company and Shareholders and unanimously recommends that Shareholders vote FOR the resolution to approve the delisting of the Shares of the Company from the facilities of the TSX.

Implications of the Proposed Delisting

If the resolution is approved at the Meeting, the Shares will cease to be listed and posted for trading on the TSX no less than business 10 days following the Meeting subject to final Board of Directors approval, and there will therefore be no public market to trade the Shares. Notwithstanding the foregoing, Frontier will remain a "reporting issuer" in certain jurisdictions of Canada and, as such, will continue to be subject to continuous disclosure obligations under applicable securities legislation and board independence requirements as summarised below:

- File quarterly financial statements and related Management's Discussion and Analysis;
- Issue news releases and file material change reports, as applicable;
- Comply with National Instrument 43-101 in relation to technical disclosure regarding the Zandkopsdrift project;
- Publicly file copies of material contracts;
- Include various specific items of disclosure in all notices of meeting and information circulars sent to shareholders;
- Maintain an audit committee consisting of at least three directors, each of whom is independent. After December 31, 2015, provided the Shares are not listed on another specified exchange, Frontier would be classified as a "venture issuer", and would no longer be required to prepare an annual information form or be subject to audit committee independence requirements.

All regulatory filings related to this release are available on the Company website and on Sedar. For further information on Frontier visit www.frontierrareearths.com, e-mail the Company at IR@frontierrareearths.com or contact +352 208 80249. In North America: [jracaanelli@nationalequicom.com](mailto:jracanelli@nationalequicom.com) or 416 815 0700 ext 243.

About Frontier Rare Earths Limited (TSX: FRO US: FREFF)

[Frontier Rare Earths Ltd.](http://www.frontierrareearths.com) (www.frontierrareearths.com) is a mineral exploration and development company principally focused on the development of rare earths projects in Africa. Frontier's flagship asset is the Zandkopsdrift rare earth project, which is located in the Northern Cape Province of South Africa and is one of the largest, highest grade undeveloped rare earth deposits worldwide. Frontier has a direct 64% interest and an 85% economic interest in Zandkopsdrift following the acquisition by its strategic partner; Korea Resources Corporation; of an initial 10% interest in Zandkopsdrift. Frontier is listed on the main board of the Toronto Stock Exchange and currently has 89,562,781 shares outstanding. Frontier is well funded with approximately \$20 million in cash and no debt at the end of June 2015. Readers are directed to the news release dated March 30, 2015 in which details of a strategic review undertaken by the Company are described.

Forward Looking Statements – Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties. Readers can identify many of these statements by looking for words such as "will", "intends", "projects", "anticipates", "estimates", "achieving", or similar words or the negative thereof. Such forward looking information includes, among other things, anticipated recovery rates, timing of receipt of mining rights and environmental permits, realization of construction activities and mining operations, estimated capital expenditures and operating costs, estimated REE market prices and statements regarding NPV and IRR. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company, including, but not limited to, the impact of general economic conditions, industry conditions, commodity prices, availability of financing for the Company and the Company's ability to raise additional capital, results of feasibility studies, dependence upon regulatory approvals, the estimation of mineral resources and the realization of mineral reserves based on mineral resource estimates and estimated future development, if any, and possible variations of ore grade or recovery rates; the Company development, if any, and possible expectations regarding competition from other producers globally, possible customer and supplier relationships, anticipated trends and challenges in the Company regarding competition; mineral resource estimates and supply outlook and growth opportunities, the future price of and future demand for rare earth elements, title disputes or claims including Black Economic Empowerment initiatives, the timing and possible outcome of pending regulatory and permitting matters and the factors described or referred to under "Description of the Business – Risk Factors" in Frontier's current annual information form filed on SEDAR at www.sedar.com.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. The forward-looking statements contained herein are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement. Actual results may differ materially from those anticipated. Readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein. Frontier disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable law.

While the objective of the delisting is to facilitate discussions with potential partners and/or investors at a valuation that the Company considers to be fair, reasonable and in the best interests of all shareholders, by approving the delisting Shareholders will be materially affecting their ability to sell any Shares they hold. In addition, there is no assurance that discussions with potential partners and/or investors will conclude successfully, that Frontier will be successful in obtaining the requisite funding for the Zandkopsdrift project, or that the delisting will result in a transaction, liquidity event(s) or other return for shareholders.

SOURCE [Frontier Rare Earths Ltd.](#)

Contact

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