PEAK RESOURCES LIMITED

(ABN 72 112 546 700)

Half Year Report
31 December 2019

COMPANY DIRECTORY

Non-Executive Chairman
Peter Meurer

Chief Executive Officer
Rocky Smith

Non-Executive Directors
Jonathan Murray
Tony Pearson
Robert Sennitt

Company Secretary
Graeme Scott

Principal and Registered Office
Ground Floor
5 Ord Street
WEST PERTH WA 6005

Telephone:	(08) 9200 5360
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Auditors
Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

Share Registrar
Link Market Service Limited
Level 12,680 George Street
SYDNEY NSW 2000

Securities Exchange Listing
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: PEK

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Director's Report

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

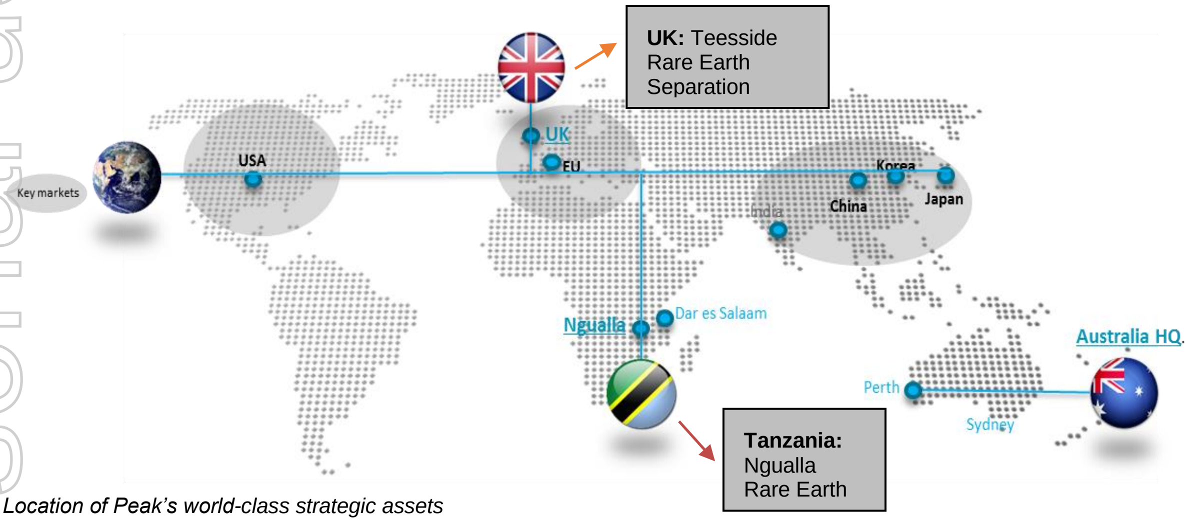
Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Peter Meurer	Non-Executive Chairman
Jonathan Murray	Non-Executive Director
Tony Pearson	Non-Executive Director
Robert Sennitt	Non-Executive Director (appointed 15 January 2020)
John Jetter	Non-Executive Director (resigned 15 January 2020)

Review of Operations

The Company continues to progress the development and commercialisation of its world-class strategic assets; the Ngualla Rare Earth deposit in Tanzania and the Teesside Rare Earth separation facility in the UK (together the Ngualla Rare Earth Project) aiming to become a long term, low cost supplier of Neodymium and Praseodymium (NdPr) to the expanding high-tech magnet market.



Location of Peak's world-class strategic assets

The consolidated entity recorded an operating profit after income tax of $7,677,053 for the half-year ended 31 December 2019 (31 December 2018: loss $2,747,139).

The key events of the Company's operations over the last six months and to the date of this Directors' Report are as follows:

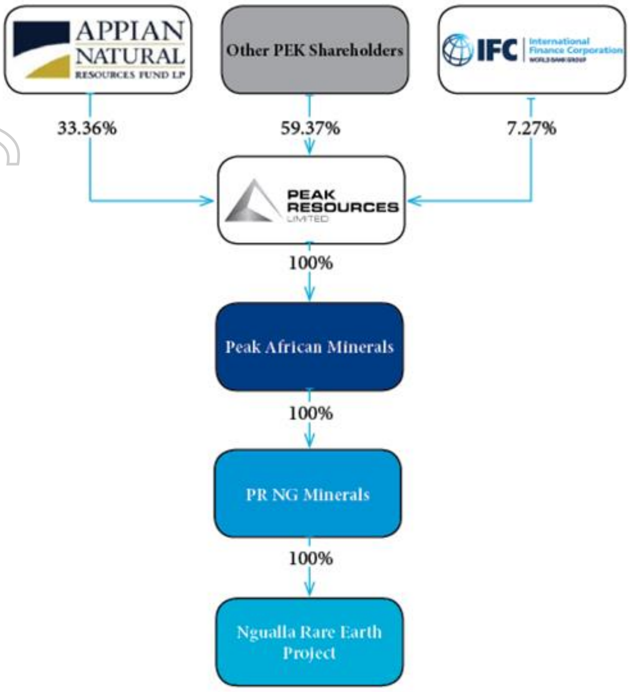
- Peak acquired the balance of the share capital in Peak African Minerals (PAM) and moved to a 100% interest in the Ngualla Rare Earth Project
- A$4.8m capital raising was completed in August 2019 and the loan from Appian was repaid in full
- The Special Mining Licence application for the Ngualla deposit continues to advance with the Tanzanian Cabinet approval in progress.
- Project finance options being explored - USA shows interest in financing the Ngualla Rare Earth deposit
- Offtake discussions continuing with a number of credible industry groups.

Peak now the 100% owner of the Ngualla Rare Earth Project

On 12 November 2019, Peak was pleased to announce completion of the project ownership restructuring transaction, with Peak now having a 100% ownership interest in the Ngualla Rare Earth Project.

The transaction with Appian Pinnacle Holdco Limited (Appian) and International Finance Corporation (IFC) saw them swap out their ownership interests in the Mauritian registered company, PAM for additional shares in Peak Resources Limited. PAM is the parent company of Tanzanian registered PR NG Minerals Limited which is the holder of the Project's Exploration Licences and Special Mining Licence application.

A total of 386,161,369 new fully paid ordinary shares were issued to Appian and IFC on completion. The diagram below shows the new and current ownership status for the Project:



The new Project ownership structure improves availability of institutional equity funding and probability of finding a strategic partner(s) to make equity investments at the Project level.

The Ngualla Project Fundamentals

The solid project economics provided by the October 2017 Project Update continue to support the Company's focus to progress Ngualla towards production in time for the increased demand for Neodymium and Praseodymium (NdPr) from electric vehicles and include:

- Post Tax NPV8 US$ 612 million and IRR 22% at Project Update rare earth price assumptions.
- Total Life of Project Opex intensity US$ 32.24 / kg NdPr is the breakeven point for a positive cash flow, well below current prices.
- Total pre-production CAPEX of US$ 365 million for the Ngualla and Tees Valley refinery combined. This has the potential to be the lowest Capex among its peers for a fully integrated producer.
- Average consolidated annual EBITDA US$ 150 million over the 26 year life of the Project.

The magnet metals Neodymium and Praseodymium (NdPr) are core to the electric vehicle revolution with over 95% of drive motors in EVs set to utilise NdPr magnets. Peak is well placed to offer high-quality products from an ethical, fully transparent supply chain solution and with approximately 90% of the Ngualla Project revenue projected to be derived from NdPr.

PRODUCTION ASSUMPTIONS	
Life of Mine	26 Years
Average Life of Mine REO Grade	4.80%
Life of Mine Strip Ratio (Waste: Ore)	1.78
Average Mill Throughput	711,000 tpa
Average REO Mineral Concentrate Production	32,700 tpa
Average NdPr Mixed Oxide 2N Production	2,810 tpa
Average La Oxide Equivalent Production (final product: 7,995 tpa Carbonate)	4,230 tpa
Average Ce Oxide Equivalent Production (final product: 3,475 tpa Carbonate)	1,920 tpa
Average SEG and Mixed Heavy Oxide Equivalent Production (final product: 625 tpa Carbonate)	330 tpa

OPERATING COSTS	
Average Operating Cost - Ngualla plus concentrate transport	US$ 51m p.a
Average Tees Valley Refinery Operating Cost to Final Product	US$ 40m p.a
Total Consolidated Operating Cost to Final Product	US$ 91m p.a
Total Consolidated Operating Cost/kg (NdPr Mixed Oxide 2N[#])	US$ 32.24/kg

CAPITAL COSTS including growth and contingency	
Ngualla (Mine and Process)	US$ 52 million
Ngualla (Infrastructure)	US$ 138 million
Tees Valley Refinery	US$ 157 million
Owners Costs	US$ 18 million
Total Capital Pre-Production	US$ 365 million
Average Annual Consolidated Sustaining Capital	US$ 5 million

FINANCIAL METRICS	
Consolidated Total Revenue	US$ 6.27 billion
Consolidated Average Annual Revenue	US$ 241m p.a
Total Consolidated (Post Tax) Cash Generation	US$ 3.01 billion
Annual Average Consolidated (Post Tax) Cashflow	US$ 108 m p.a
Average Annual EBITDA	US$ 150 m p.a
NPV_8 - Pre Tax and Royalties	US$ 914 million
NPV_8 - Post Tax and Royalties	US$ 612 million
NPV_{10} - Pre Tax and Royalties	US$ 686 million
NPV_{10} - Post Tax and Royalties	US$ 444 million
IRR - Pre Tax and Royalties	26%
IRR - Post Tax and Royalties	22%
Operating Margin	62%
Payback Period (from Start of Operations)	5 Years

COMMODITY PRICE ASSUMPTIONS average LOM	
NdPr Mixed Oxide 2N Min 75% Nd_2O_3	US$ 77.50/kg
Lanthanum Rare Earth Oxide Equivalent	US$ 3.70/kg
Cerium Rare Earth Oxide Equivalent	US$ 2.20/kg
SEG Mixed Heavy Oxide Equivalent	US$ 8.00/kg

Ngualla Project production assumptions and projected economics

#Material assumptions are as per BFS and Ore Reserve ASX Announcements of 12 April 2017 except where indicated in this report. The Company notes that during the half year period the price of NdPr Mixed Oxide ranged between US$40.14 and US$50.70 per kg.

The information is extracted from the report entitled "Lower price deck delivers similar BFS results for Ngualla" released on the 12 October 2017 and is available to view on the Company's website www.peakresources.com.au/asx-announcements/. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report pertaining to the Project financial and economic analysis has not been audited and contains non-IFRS measures; EBITDA is a non IFRS measure calculated as the earnings before tax, interest, depreciation and amortisation.

A$4.795m share placement completed and Appian loan fully repaid

Following the initial announcement of the Project ownership restructuring transaction above, on 8 August 2019 the Company completed a placement of 119,888,380 new fully paid ordinary shares to sophisticated, professional and other exempt investors. The placement was undertaken at $0.04 per share raising gross funds, before fees, of $4.795m.

Through participation in the placement Peak welcomed a number of new institutional investors to its share register. Part of the proceeds from the placement were used to repay in full the balance of the outstanding loan due to Appian (repaid US$1.314m on 10 September 2019). The balance of the funds are being applied towards Teesside and Ngualla Project final permitting, marketing and negotiating offtake, project financing activities and general operating expenses.

Permitting and approvals

Tanzania

Cabinet approval process in progress

The Special Mining Licence remains pending Cabinet sign-off after the application was recommended for approval by the Mining Commission in October 2018.

In October 2019, the Company hosted a delegation of government appointed experts at the Ngualla site. The special delegation spent 4 days at the site undertaking a thorough technical review of the Project and the associated SML application. The review included the collection of additional drill-hole samples, visiting the licence area and visiting the local community. The delegation also took the opportunity to visit the community and social projects undertaken by the Company to date and to hear firsthand from the local community the high level of support that exists for the Company and mine development.

The Mining Licence is the final regulatory requirement for the Ngualla Project, with the associated Teesside Refinery already fully permitted and land secured under option. Once granted the Ngualla Project will be the only rare earth development project that has a JORC Compliant Ore Reserve, completed definitive feasibility study and fully piloted process from ore to separated oxides that is fully permitted and ready to construct.

Positive mining Industry developments in Tanzania

On 24 January 2020, Barrick Gold Corporation and the government of Tanzania announced the signing of an agreement to conclude their long running dispute. The agreement as published by Barrick includes a number of positive moves by the government that clarifies key areas in the 2017 legislation that were uncertain and is expected to facilitate easier access to international financing for Tanzanian mining projects. The key areas of the agreement from Peak's perspective include:

- Tanzania will take no more than 50% of the economic benefits from the mine, which includes all free carried interest dividends, taxes, royalties, government fees and other fiscal levies.
- Dispute resolution will include access to UNCITRAL International Arbitration
- companies will be allowed to open and maintain bank accounts outside of Tanzania.

It has been widely reported and publically stated by a number of government officials that the agreement should be seen as an example to other mining ventures who are investing in Tanzania.

United Kingdom – Teesside

Planning permissions for the refinery and environmental licences for operation of the facility are all in place. The local Teesside community remain extremely supportive of Peak's development plans. The Company has a further eighteen months on its option, over a 19-hectare parcel of land located in the Wilton International Site.

Potential exists for Peak to create a go to rare earth processing hub at Teesside with many compelling location advantages, including:

- Site fully permitted for construction and operation
- 250 year land option with room for expansion
- Excellent infrastructure and location to market
- Sustainable options for waste management and disposal
- Readily available low cost reagents

Project Finance and Offtake activities

Following preliminary screening of the Project information, Peak received a "letter of interest" from the Overseas Private Investment Corporation now the Development Finance Corporation (formerly OPIC now DFC), a U.S. government agency charged with promoting investment in developing countries, stating that it will consider financing the Project subject to its usual review and approval processes. The Project falls right within the remit of these organisation.

The ongoing and well publicised Western government determination to achieve China independent, surety and stable supplies of critical materials, such as the rare earth products Peak plans to produce; NdPr Oxide, Lanthanum Carbonate, Cerium Carbonate and a mixed Heavy Rare Earth Carbonate, provides the Company with confidence that the necessary project finance may be available from a number of identified potential sources. The UK and USA have significant funds available to support and promote business activity, including for the development of mining projects in Africa.

The Company continues to target Europe and Asia to progress existing and new discussions aimed towards securing offtake agreements. These agreements will set the foundations for access to project finance to enable Peak to become the second outside of China fully integrated Rare earth oxide and metal supplier. During the period, a large number of introductory and follow up meetings were held with tier 1 motor producers, magnet producers, and Trading Houses in addition to direct meetings with a number of automotive groups. Peak has to date issued ten detailed term sheets with discussions on-going with a number of these groups.

Tanzania corporate social responsibility programs

Due to the protracted SML application process, the Company has not undertaken any major Community Programmes this season. However, Peak does continue to assist the local community where practical and cost effective to do so. A number of community initiatives were completed and handed over to the community prior to the site closure including: supply of a new delivery bed and equipment for the Ngwala maternity ward, supply and installation of soccer and netball goal posts at three schools in the Ngwala ward and renovation of the kindergarten classroom at Ngwala primary school.

Songwe DED with PRNG Minerals CLO receiving the renovated classroom and 15 desks

Peak takes its community and social responsibilities very seriously and is proud of its record to date. The projects undertaken in the past and the manner in which it engages with the local community has resulted in widespread support for the Project.

NdPr Market Developments

Governmental activities

Western Governments continue to direct resources towards diversification of Rare Earths supply. In November 2019, An Australian and US government initiative formalised an MoU on Critical Energy Minerals. The partnership is intended to bolster supply of rare earths and other critical minerals from outside China. Export finance agencies in these nations will consider new measures to help accelerate mine projects.

China raised its annual mining quota for rare earths to 132,000 tons for 2019, 10% above last year's record high. In December 2019, Myanmar's government ordered the shutdown of rare earth ore mines and banned rare earth carbonate ores exports to China permanently. This follows unauthorised mining activity and environmental disruptions, with the permanent ban forecast to tighten feedstock supplies and push up rare earth prices in China. China relies heavily on Myanmar's ore supplies, as key feedstock for medium and heavy rare earths production.

The Automotive industry to drive demand

Automotive Manufacturers continue to fast track and prioritise development of their electric vehicle platforms. During the period, VW Group, Hyundai Motor Group and BMW amongst others, have all announced increased or accelerated investment and focus on development of their electric vehicle platforms and models.

China continues to lead the uptake in electric vehicles. In early January 2020, China's Minister of Industry and Information Technology, Miao Wei reportedly told senior auto industry executives at the EV100 forum in Beijing that the government will not cut subsidies for new energy vehicles (NEVs) any further in July 2020. According to Reuters news wires, the minister also said Chinese NEV sales hit 163,000 units in December, almost double the November 2019 sales total of 83,000. This figure brings the country's 2019 full year NEV sales to 1.2 million units.

Each NEV unit represents an additional +1kg of incremental demand for NdPr. Peak's proposition is well positioned to help meet this increasing demand.

Events Subsequent to Reporting Date

There were no significant changes in the state of affairs of the Company subsequent to the reporting date.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst Young to provide the directors of the Company with an independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 8 of this half year financial report. This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Peter Meurer
Chairman

Perth
Dated this 11th day of March 2020

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Building a better working world

Auditor's independence declaration to the Directors of Peak Resources Limited

As lead auditor for the review of the half-year financial report of Peak Resources Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Peak Resources Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
11 March 2020

PD:JG:PEAK:004

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Half Year Ended 31 December 2019

	Notes	Consolidated 31 December 2019 $	31 December 2018 $
Interest received		24,191	62,631
R&D rebate received		110,037	-
Gain on derecognition of associate	5	10,429,216	-
		10,563,444	**62,631**
Employee benefits expenses		(309,697)	(474,092)
Share based payments expenses		(683,897)	(61,526)
Depreciation and amortisation expenses		(2,809)	(3,568)
Borrowing costs		(286,187)	(933,587)
Administrative and other costs	3	(856,077)	(534,470)
Technical feasibility costs	3	(324,187)	(59,422)
Share of loss of associate	4	(353,988)	(743,105)
Fair value adjustments to other assets measured at fair value through profit or loss		(69,549)	-
		(2,886,391)	**(2,809,770)**
Profit/(loss) before income tax expense		**7,677,053**	**(2,747,139)**
Income tax expense		-	-
Net profit/(loss) for the period		**7,677,053**	**(2,747,139)**
Other comprehensive (loss)/income			
Items which may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(858,495)	(93,793)
Recycled to the profit and loss on derecognition of associate		(3,764,893)	-
Group's share of associate's other comprehensive (loss)/ income		503,253	1,496,345
Other comprehensive (loss)/income for the period net of tax		**(4,120,135)**	**1,402,552**
Total comprehensive income/(loss) for the period		**3,556,918**	**(1,344,587)**
Profit/(loss) per share (in cents)			
Basic and diluted earnings/(loss) per share		0.77	(0.17)

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	Consolidated As at 31 December 2019 $	Consolidated As at 30 June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents		2,882,062	2,147,324
Trade and other receivables		41,719	17,275
Other financial assets		30,000	30,000
Loans – due from associates measured at fair value through profit or loss (FVPTL)		-	446,532
Prepayments		63,811	6,929
Total current assets		**3,017,592**	**2,648,060**
Non-current assets			
Loans – due from associates measured at FVPTL		-	416,961
Property plant and equipment		51,810	6,196
Deferred exploration and evaluation costs	6	58,250,042	-
Investment in associate	4	-	33,509,484
Investments		8,000	8,000
Other assets		127,254	127,254
Total non-current assets		**58,437,106**	**34,067,895**
Total assets		**61,454,698**	**36,715,955**
LIABILITIES			
Current liabilities			
Trade and other payables		354,554	276,252
Provisions		226,326	196,668
Loans and borrowings – due to other parties		-	1,824,095
Total current liabilities		**580,880**	**2,297,015**
Non-current liabilities			
Other payables		-	1,430,011
Loans and borrowings – due to associate		-	5,041,789
Royalty Liability	7	7,401,029	-
Total non-current liabilities		**7,401,029**	**6,471,800**
Total liabilities		**7,981,909**	**8,768,815**
Net assets		**53,472,789**	**27,947,140**
EQUITY			
Contributed Equity	8	98,508,464	77,223,630
Reserves	9	2,581,162	6,017,400
Accumulated losses		(47,616,837)	(55,293,890)
Total equity		**53,472,789**	**27,947,140**

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December 2019

		Consolidated	
	Notes	31 December 2019 $	31 December 2018 $
OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,447,428)	(813,491)
Interest received		22,306	68,889
R&D tax refund received		110,037	-
Borrowing costs paid		(60,858)	(170,017)
Cash used in operating activities		**(1,375,943)**	**(914,619)**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(7,617)	(2,837)
Proceeds from sale of non-current assets		-	-
Investment in associate		(667,861)	(1,177,837)
Cash acquired on acquisition of associate	5	41,897	-
Cash used in investing activities		**(633,581)**	**(1,180,674)**
FINANCING ACTIVITIES			
Proceeds from issue of equity shares		4,795,534	6,232
Cost of issuing equity shares		(115,638)	-
Repayment of borrowings		(1,914,947)	(172,650)
Proceeds from borrowings		48,247	-
(Loan to) / borrowings from associate and other parties		(28,065)	(67,446)
Cash generated/(used) in financing activities		**2,785,131**	**(233,864)**
Net increase/ (decrease) in cash and cash equivalents held		775,607	(2,329,157)
Balance at the beginning of the period		2,147,324	6,468,748
Effect of foreign currency translation		(40,869)	(17,537)
Balance at the end of the half year		**2,882,062**	**4,122,054**

Non-cash financing and investing activities 13

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half Year Ended 31 December 2019

	Consolidated				
	Contributed Equity	**Share based payment reserve**	**Foreign Currency translation reserve**	**Accumulated losses**	**Total**
	$	**$**	**$**	**$**	**$**
At 1 July 2018	77,217,398	2,497,108	1,545,196	(50,042,065)	**31,217,637**
Effect of adoption of AASB 9	-	-	(23,323)	(655,772)	**(679,095)**
At 1 July 2018 Restated	**77,217,398**	**2,497,108**	**1,521,873**	**(50,697,837)**	**30,538,542**
Loss for the period	-	-	-	(2,747,139)	**(2,747,139)**
Other comprehensive loss	-	-	(93,793)	-	**(93,793)**
Group's share of associate's other comprehensive income	-	-	1,496,345	-	**1,496,345**
Total comprehensive income/(loss) for the period	**-**	**-**	**1,402,552**	**(2,747,139)**	**(1,344,587)**
Equity Issued	6,232	-	-	-	**6,232**
Share based payments	-	61,526	-	-	**61,526**
At 31 December 2018	**77,223,630**	**2,558,634**	**2,924,425**	**(53,444,976)**	**29,261,713**
At 1 July 2019	77,223,630	2,968,113	3,049,287	(55,293,890)	**27,947,140**
Profit for the period	-	-	-	7,677,053	**7,677,053**
Other comprehensive income	-	-	(4,623,388)	-	**(4,623,388)**
Group's share of associate's other comprehensive income	-	-	503,253	-	**503,253**
Total comprehensive income/(loss) for the period	**-**	**-**	**(4,120,135)**	**7,677,053**	**3,556,918**
Equity Issued	21,400,472	-	-	-	**21,400,472**
Transaction costs	(115,638)	-	-	-	**(115,638)**
Share based payments	-	683,897	-	-	**683,897**
At 31 December 2019	**98,508,464**	**3,652,010**	**(1,070,848)**	**(47,616,837)**	**53,472,789**

The statement should be read in conjunction with accompanying notes

NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2019

1 Corporate information

The financial report of Peak Resources Limited (the Group) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 10 March 2020.

Peak Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The address of its registered office and principal place of business is disclosed in the introduction to the Annual Report of 30 June 2019.

The principal activity of the Group during the year was the investment in exploration and evaluation of mineral projects.

2 Statement of significant accounting policies

a) Statement of compliance

The half-year consolidated financial statements are a general purpose condensed financial report prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standard AASB 134: 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Peak Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year except as set out below.

b) Basis of preparation

The half-year report has been prepared on an accruals basis and is based on historical cost. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Going Concern

The Group has net current assets of $2,436,712 as at 31 December 2019 (30 June 2019: $351,045) and for the half-year ended 31 December 2019 incurred an operating cash outflow of $1,375,943 and investing cash outflow of $633,581 (half-year ended 31 December 2018 operating cash outflow of $914,619 and investing cash ouflow of $1,180,674 respectively).

Based on the Group's cashflow forecasts, as the Group works towards the finalisation of permitting and the commencement of development activities for the Ngualla project, the Group will be required to raise additional funds over the course of the next 12 months.

In the directors' opinion, there are reasonable grounds to believe that the Group has the ability to raise further funding as needed. However, in the event that additional funding is not forthcoming the Group will need to reduce its discretionary spending to ensure that it has sufficient cash on hand to continue in operation. As a result of the need to raise additional equity or reduce discretionary spending if funds are not forthcoming, there is material uncertainty whether the Group will be able to continue as a going concern and, therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

c) Basis of consolidation

The consolidated financial statements of Peak Resources Limited comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

2 Statement of significant accounting policies (continued)

c) Basis of consolidation (continued)

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end.
If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

During the period the Group acquired the balance of the ownership of the PAM Group (refer note 5). The transaction has been assessed as being an asset acquisition and accounted for accordingly, with the Group electing to utilise the total historical cost of acquisition for its investment in the PAM Group. The Group has applied this accumulated acquisition cost to the assets and liabilities acquired at their relative fair values.

d) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially measured at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the entity became an associate.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In Addition when there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains or losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statement of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate in a situation which is not an asset acquisition, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit and loss. In the case of an asset acquisition (which is not a business combination) where the Group loses significant influence but gains control of an investment, the Group takes any difference between the total historical cost of acquisition of the investment and the carrying value of the associate upon loss of significant influence to the profit and loss.

2 Statement of significant accounting policies (continued)

e) Impact of new standards applied for the first time

The accounting policies adopted in the preparation of the half-year consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial report for the year ended 30 June 2019, except for the adoption of new and amended accounting standards and interpretations effective as of 1 July 2019, being AASB 16 "Leases" and AASB Interpretation 23 "Uncertainty over Income Tax Treatments". The adoption of these new and amended accounting standards and interpretations did not have a material impact on the consolidated entity and no restatement of comparative financial information to reflect the adoption of these new standards and interpretations was required.

The Company has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

AASB 16 Leases

AASB 16 was issued in January 2016 and it replaces AASB 117 "Leases", AASB Interpretation 4 "Determining whether an Arrangement contains a Lease", AASB Interpretation 115 "Operating Leases – Incentives" and AASB Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases. AASB 16 requires lessees and lessors to make more extensive disclosures than under AASB 117.

Transition to AASB 16

The Group adopted AASB 16 retrospectively to each prior reporting period presented. The Group elected to apply the standard to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4. The Group has not applied the standard to contracts that were not previously identified as containing a lease applying AASB 117 and AASB Interpretation 4. The Group has only one lease which expires on 31 December 2020. and the impact of AASB 16 is not material.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

This Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The interpretation requires that an entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. There was no material impact to the consolidated entity from adopting this interpretation.

Since the Group operates in a complex multinational tax environment, applying the Interpretation in future may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Standards issued but not yet effective
Significant Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements is not expected to be material. The Group intends to adopt these new standards and interpretations, if applicable, when they become effective.

3 PROFIT/ (LOSS) BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2019 $	31 December 2018 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Administrative and other costs		
- Corporate and compliance	(75,119)	(43,749)
- Occupancy expenses	(53,196)	(31,810)
- Travel expenses	(106,639)	(90,267)
- Other expenses (including costs of acquisition)	(592,581)	(92,491)
- Unrealised foreign exchange loss	(28,542)	(276,153)
Technical feasibility costs	(324,187)	(59,422)

4 INVESTMENTS IN ASSOCIATES

The Group had a 75% interest in Peak African Minerals (PAM), a company domiciled in Mauritius that owns 100% of the shares in PR NG Minerals Limited ("PRNG"), the 100% owner of the Ngualla Project in Tanzania. On 12 November 2019 Peak reacquired the balance of the shares in PAM to move back to a 100% ownership interest. The PAM group is now accounted for as a subsidiary and consolidated into the Peak Group. Prior to re-consolidation on 12 November 2019, Peak Group's interest in PAM was accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in PAM to date of consolidation:

	$ 31 October 2019	$ 30 June 2019
Group's share of loss for the period	**(353,988)**	**(924,060)**
Group's share of movement of other comprehensive (loss)/income for the period	**503,253**	**1,683,792**
Peak Resources investment in associate:		
Opening balance	33,509,484	31,114,813
Retained Earnings adjustment on adoption of AASB 9	-	(465,178)
Opening balance (Restated)	**33,509,484**	**30,649,635**
Less Group's share of loss in the associate for the period	(353,988)	(924,060)
Add Group's share of movement in other comprehensive income in the associate for the period	503,253	1,683,792
Add Peak's additional equity investment in PAM during the period	667,861	2,100,117
Less: Equity Investment in PAM prior to reconsolidation	(34,326,610)	-
Investment in associate	**-**	**33,509,484**
Classified as in the statement of financial position:		
Investment in associate	**-**	**33,509,484**

5 ASSET ACQUISITION

On 4 November 2019 Peak's shareholders approved the acquisition of the remaining 25% interest in Peak African Minerals (PAM) a company domiciled in Mauritius that owns 100% of the shares in PR NG Minerals Limited ("PRNG"), the 100% owner of the Ngualla Project in Tanzania. All conditions of the acquisition were satisfied and completion occurred on 12 November 2019. A total of 386,161,369 new fully paid ordinary shares were issued at an issue price at the completion date of $0.043 to Appian Pinnacle Holdco Limited (Appian) and International Finance Corporation (IFC), after reduction for their outstanding contributions for the PAM group costs to completion. The cost of this acquisition consideration was $16,604,938.

The total cost of acquisition has been determined using the accumulated cost approach with the difference between this cost and the carrying value of Peak's equity accounted investment of its interest in associate on derecognition taken through the profit and loss as part of the gain on acquisition and reconsolidation of associate of $10,429,216.

The Group's acquisition of PAM was accounted for as an asset acquisition rather than a business combination in the consolidated financial statements. The following table illustrates the apportionment of the acquisition cost to the assets and liabilities of PAM Group at their relative fair values at the acquisition date.

	$
	31 October 2019
Fair value of consideration transferred	
Amount settled for the purchase of the 25% interest in PAM	**16,604,938**
Previous costs of acquisition	35,182,644
Total cost of PAM acquisition	**51,787,582**
Assignment of carrying amounts in PAM on acquisition at their relative fair values:	
Cash and cash equivalents	41,897
Trade and other receivables	811
Prepayments	78,160
Exploration and evaluation expenditure	59,173,422
Property, Plant and equipment	40,807
Trade and other payables	(29,165)
Royalty Liability	(7,518,350)
Total net assets acquired	**51,787,582**

The deferred exploration and evaluation expenditure relates in its entirety to the Ngualla Project.

Tenure over Ngualla Project

The Ngualla Project tenure is held over three licence areas held by PRNG; the area containing the Mineral Resource is subject to a Special Mining Licence (SML) application lodged in August 2017 for which grant is still pending following enactment of the changes to the Mining legislation announced by the Tanzanian Government in July 2017. The Prospecting Licence (PL) which PRNG held over this area, at the time of lodgment of the SML application, expired in September 2017. The Tanzanian Mining Act provides that the PL will remain valid until grant or refusal to grant an application for a licence is made. The Company expects the SML to be granted in due course. The other two licence areas are also held by PRNG under granted PLs.

6 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2019 $	**30 June 2019 $**
Movement in net carrying amount:		
Balance at beginning of period	-	-
Acquired on acquisition of PAM	59,173,422	-
Foreign exchange movements	(923,380)	-
Balance at 31 December 2019	**58,250,042**	**-**
Capitalised areas of interest:		
Ngualla Rare Earth Project, Tanzania	58,250,042	-
	58,250,042	**-**

The ultimate recoupment of the costs carried forward for the exploration and evaluation phases is dependent on successful development and commercial exploitation or sale of the respective exploration areas.

Deferred exploration and evaluation expenditure is assessed for impairment by the directors when facts and circumstances suggest that the carrying amount exceeds the further economic benefits that may be recovered from the asset. This assessment is performed when the above circumstances occur and at every reporting date.

7 ROYALTY LIABILITY

	Consolidated	
	31 December 2019 $	30 June 2019 $
Balance at beginning of period	-	-
Recognised on acquisition of PAM	7,518,350	-
Foreign exchange movements	(117,321)	-
Balance at 31 December 2019	**7,401,029**	**-**

Advance for future royalty – In July 2015 ANRF Royalty Company Limited (ANRF) and International Finance Corporation (IFC) advanced US$5,191,191 for a 2% Gross Sales Royalty from the Ngualla Rare Earth's project. Forms of security customary for an agreement of this type have been agreed and have been or are registered including share pledges over the shares in PAM, PR NG Minerals Limited and asset level security given by PR NG Minerals Limited.

8 CONTRIBUTED EQUITY

	Issue Date	Nos.	$
Balance at 30 June 2018		**799,152,011**	**77,223,630**
PEKOB 6c Option Conversions	1-Nov-18	103,858	6,232
Equity issue costs		-	-
Balance at 30 June 2019		**799,255,869**	**77,223,630**
Placement	8-Aug-19	119,888,380	4,795,534
PAM acquisition consideration	12-Nov-19	386,161,369	16,604,938
Equity Issue Costs		**-**	(115,638)
Balance at 31 December 2019		**1,305,305,618**	**98,508,464**

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Options over ordinary shares

The following option issues were made during the period:

2,000,000 Unlisted Options, exercisable at $0.05 expiring 21 June 2021

3,000,000 Unlisted Options, exercisable at $0.10 expiring 21 June 2022#

5,000,000 Unlisted Options, exercisable at $0.15 expiring 21 June 2023#

14,000,000 Unlisted Options Lead Managers to the Placement, exercisable at $0.06 expiring 11 May 2021

5,994,419 Unlisted Options Brokers to the Placement, exercisable at $0.06 expiring 11 November 2020

length of service and milestone vesting criteria apply

8 CONTRIBUTED EQUITY (continued)

Options on issue at 31 December 2019:

Options over ordinary shares	Date of Issue	Nos	Status	Exercise Price	Expiry Date
PEKOC listed options	21-Jun-18	61,088,247	Vested	$0.060	14/06/2020
Unlisted Options	27-Feb-18	4,000,000	Vested	$0.060	27/02/2021
Unlisted Options	16-Jan-18	11,750,000	Vested	$0.065	16/01/2021
Unlisted Options	21-Jun-18	16,000,000	Vested	$0.05	21/06/2021
Unlisted Options	21-Jun-18	11,000,000	Unvested	$0.10	21/06/2022
Unlisted Options	21-Jun-18	25,000,000	Unvested	$0.15	21/06/2023
Unlisted Options	21-Jun-18	9,000,000	Vested	$0.065	14/06/2021
Unlisted Options	16-Jan-19	5,750,000	Vested	$0.035	17/01/2022
Unlisted Options	6-May-19	41,300,000	Unvested	$0.030	05/03/2023
Unlisted Options	04-Nov-19	2,000,000	Unvested	$0.05	21/06/2021
Unlisted Options	04-Nov-19	3,000,000	Unvested	$0.10	21/06/2022
Unlisted Options	04-Nov-19	5,000,000	Unvested	$0.15	21/06/2023
Unlisted Options	04-Nov-19	14,000,000	Vested	$0.060	11/05/2021
Unlisted Options	04-Nov-19	5,994,419	Vested	$0.060	11/11/2020
Balance at 31 December 2019		**214,882,666**	**Vested & unvested**	**$0.03 -$0.15**	**14/6/2020 - 21/06/2023**

9 RESERVES

	Share based payment reserve	Foreign Currency translation reserve	Total
	$	$	$
At 30 June 2018	**2,497,108**	**1,545,196**	**4,042,304**
1 July 2018 FCTR adjustment on AASB 9 adoption	-	(23,323)	(23,323)
At 1 July 2018 (Restated)	**2,497,108**	**1,521,873**	**4,018,981**
Share based payment made 1 July 2018 to 30 June 2019	471,005	-	471,005
Group's share of associates FCTR	-	1,683,792	1,683,792
Exchange difference on translation of foreign operations	-	(156,378)	(156,378)
At 30 June 2019	**2,968,113**	**3,049,287**	**6,017,400**
Share based payment made 1 July 2019 to 31 December 2019	683,897	-	**683,897**
Recycled to the profit and loss on derecognition of associate		(3,764,893)	**(3,764,893)**
Group's share of associates FCTR	-	503,253	**503,253**
Exchange difference on translation of foreign operations	-	(858,495)	**(858,495)**
At 31 December 2019	**3,652,010**	**(1,070,848)**	**2,581,162**

The share-based payment reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for supply of goods and services.

Foreign currency translation reserve is used to recognise exchange difference arising from the translation of foreign operations to the Australian dollar which is the consolidated entity's presentation currency.

10 OPERATING SEGMENTS

AASB 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM is the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment and the Group’s activities as an investor in one exploration project. Accordingly, the Group has only one reportable segment and the results been the same as the Group results.

11 CONTINGENT LIABILITIES

Peak Resources Limited had no commitments to purchase property, plant and equipment or contingent liabilities at half year end other than a non-cancellable office lease of $33,000 plus GST per annum to 31 December 2020 (31 December 2018: $33,000 to 31 December 2019).

12 EVENTS SUBSEQUENT TO REPORTING DATE

There were no subsequent events to 31 December 2019 that have a material impact on the financial statements (2018: None).

13 NON-CASH FINANCING AND INVESTING ACTIVITIES

The acquisition of the balance of PAM’s shares from Appian and IFC was settled via the issue of 386,161,369 shares with a value of $16,604,938 (see Notes 5 and 8).

DIRECTORS' DECLARATION

In the opinion of the directors of Peak Resources Limited ('the Company'):

The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

a. complying with Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year then ended.

Subject to the matters set out in note 2(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Peter Meurer
Chairman
Perth
Dated this 11th day of March 2020

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Independent auditor's review report to the Members of Peak Resources Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Peak Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 2(b) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
11 March 2020