
PEAK RESOURCES LIMITED
ACN 112 546 700
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10.00 am (WST)

DATE: 28 September 2021

PLACE: QT Hotel, 133 Murray Street, Perth, Western Australia and virtually via the live online platform at <https://agmlive.link/PEK21>

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10.00 am (WST) on 26 September 2021.

Independent Expert Report: Shareholders should carefully consider the Independent Expert Report prepared by RSM Corporate Australia Pty Ltd which accompanies this Notice. The Independent Expert Report comments on the fairness and reasonableness of the Royalty Transaction (as defined in this Notice) to Shareholders other than Appian, and contains an assessment of the potential advantages and disadvantages of the Royalty Transaction. The Independent Expert has determined that the Royalty Transaction is **FAIR AND REASONABLE** to the Shareholders of the Company, other than Appian.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RATIFICATION OF TRANCHE 1 SHARE ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4, and for all other purposes, Shareholders approve the issue of 226,851,892 New Shares issued on 13 August 2021, on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

2. RESOLUTION 2 – APPROVAL OF TRANCHE 2 SHARE ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of 106,481,442 New Shares, on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

3. RESOLUTION 3 – APPROVAL FOR ISSUE OF SHARE PURCHASE PLAN SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of up to 44,444,444 Shares under the 2021 SPP, on the terms and conditions set out in the Explanatory Statement.”

4. RESOLUTION 4 – APPROVAL TO COMPLETE ROYALTY TRANSACTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to complete the Royalty Transaction on the terms and conditions set out in the Explanatory Memorandum.”

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by RSM Corporate Australia Pty Ltd accompanying the Explanatory Statement as Annexure A. The Independent Expert's Report comments on the fairness and reasonableness of the terms and conditions of the Repayment Agreement (as explained and on the terms and conditions set out in the Explanatory Memorandum). The Independent Expert has determined that the completion of the Repayment Agreement pursuant to Resolution 4 is **FAIR AND REASONABLE** to Shareholders (other than Appian).

A voting exclusion statement applies to this Resolution. Please see below.

Dated: 23 August 2021

By order of the Board

**Tony Pearson
Chairman**

Voting Exclusion Statement

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution set out below by or on behalf of the following persons:

Resolution 1 – Ratification of Tranche 1 Share Issue	<ol style="list-style-type: none">1. A person who participated in the issue or is a counterparty to the agreement being approved; or2. an associate of that person (or those persons).
Resolution 2 – Approval of Tranche 2 Share Issue	<ol style="list-style-type: none">1. A person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or2. an associate of that person (or those persons).
Resolution 4 – Approval to complete Royalty Transaction	<ol style="list-style-type: none">1. ANRF Royalty Company Limited and Appian Pinnacle Holdco Limited (being the parties to the Repayment Agreement other the Company and PR NG) and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the Company); or2. an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

VOTING

Voting Entitlement

Shareholders recorded on the Company's register of members at 10.00 am (WST) on 26 September 2021 (**Voting Eligibility Date**) will be entitled to vote on the items to be considered at the Meeting.

Becoming a Shareholder

Persons who become registered Shareholders after this Notice has been dispatched, and wish to vote at the Meeting by proxy, should call 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) and request an additional personalised voting form.

Persons who become beneficial Shareholders after this Notice has been dispatched, and wish to vote at the Meeting by proxy, should contact their broker or intermediary for instructions on how to do so.

Voting Procedure

Please note that all resolutions will be decided by a poll rather than by a show of hands.

As a result of the potential health risks and current government restrictions in response to the COVID-19 pandemic the Company will endeavour to ensure the Meeting is held in compliance with Australian Government regulations regarding social distancing. Shareholders will be permitted to attend the Meeting and vote in person if they wish. However, given venue capacity limitations together with uncertainties and potential health risks created by the corona virus (COVID 19) pandemic, Shareholders are encouraged to lodge a vote by proxy ahead of the Meeting and to attend the Meeting virtually.

Instructions on how to attend the Meeting virtually are set out in the section below titled "**Attending the Meeting Virtually**".

Voting Restrictions

The voting exclusions under the Listing Rules which apply to certain Resolutions are set out below each item of business above.

PROXY FORMS

Proxy Form

Shareholders will be provided with a personalised proxy form (**Proxy Form**). The Proxy Form allows Shareholders to appoint a proxy to vote on their behalf.

If you hold fully paid ordinary shares in the capital of the Company (**Shares**) in more than one capacity, please complete the Proxy Form that is relevant to each holding.

Shareholders who intend to appoint a proxy are encouraged to submit their Proxy Forms as early as possible. Lodgement instructions (which include the ability to lodge proxies electronically) are set out below and in the Proxy

Form.

Appointing Proxies

Shareholders, who are entitled to attend and vote at the Meeting, may appoint a proxy to act generally at the Meeting and to vote on their behalf.

A proxy need not be a Shareholder of the Company.

A Shareholder entitled to attend (and vote at the Meeting (in person or virtually) can appoint up to two proxies, and should specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes. If you wish to appoint two proxies please call 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) and request an additional Proxy Form.

Undirected Proxies

The Chair intends to vote all valid undirected proxies for all Resolutions in favour of each Resolution.

Power of Attorney and Corporate Representatives

If the Proxy Form is signed by an attorney, the power of attorney or a certified copy of it must be sent with the Proxy Form.

A body corporate member may elect to appoint a representative, rather than appoint a proxy. Where a body corporate appoints a representative, written proof of the representative's appointment must be lodged with, or presented to, the Company prior to the Meeting.

A body corporate appointed as a proxy must also lodge a certificate of appointment of a corporate representative.

LODGING PROXY FORMS

Deadline

Proxy Forms must be received by 10.00 am (WST) on 26 September 2021.

How to lodge Proxy Forms

You can lodge your Proxy Form with the Company:

Online: visit www.linkmarketservices.com.au

By Mail: Peak Resources Limited

C/- Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235 Australia

By Fax: +61 2 9287 0309

By Hand: Link Market Services Limited

Level 12, 680 George Street, Sydney NSW 2000

Further details on how to lodge your Proxy Form

can be found on the Proxy Form.

ATTENDING THE MEETING VIRTUALLY

Due to venue capacity limitations and the ongoing uncertainties and potential health risks created by the corona virus (COVID 19) pandemic, Shareholders are encouraged to attend the Meeting virtually via the live online platform at <https://agmlive.link/PEK21>

Shareholders will need their Securityholder Reference Number (SRN) or Holder Identification Number (HIN), which is printed at the top of the Proxy Form or on your holding statement.

By participating in the Meeting virtually, Shareholders will be able to:

- see and listen to the presentations and discussions during the Meeting;
- vote on the resolutions to be considered at the Meeting;
- ask questions of the Board in real time during the Meeting via the online platform; and
- ask questions via telephone.

To ask a question via telephone, Shareholders will need to contact Link Market Services on 1800 990 363 or +61 1800 990 363 prior to the Meeting to obtain a personalised PIN number. To ask a question on the day of the meeting via telephone please dial 1800 941 125 (International: +612 9189 8865) after 10:00am on 28 September 2021. You will receive instructions on how to ask a question during the Meeting from the phone moderator. Ensure you have your PIN readily available. If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to ask a question.

Whilst Shareholders will be able to vote on the resolutions online during the Meeting in real time, Shareholders are encouraged to lodge a proxy ahead of the Meeting, even if they are participating virtually.

We recommend logging into the online platform at least 15 minutes prior to the scheduled start time for the Meeting by entering

<https://agmlive.link/PEK21> into a web browser on your computer or online device.

Proxyholders will need their proxy code which Link Market Services will provide via email prior to the Meeting.

Further information regarding participating in the Meeting virtually is detailed in the Virtual Meeting Online Guide available at:

<https://www.peakresources.com.au/wp-content/uploads/2021/08/2021-september-gm-notice-of-meeting-and-proxy-form.pdf>

ATTENDING THE MEETING IN PERSON

To attend the Meeting and vote in person, attend the Meeting at the time, date and place set out above.

Whilst Shareholders are entitled to physically attend the Meeting, given venue capacity limitations, Shareholders are encouraged to attend the Meeting virtually as outlined above, or vote by proxy by following the instructions set out above and in the Proxy Form.

SHAREHOLDER QUESTIONS

Shareholders will be able to ask questions relevant to the business of the Meeting. Shareholders are encouraged to ask questions in advance of the Meeting by emailing the Company at info@peakresources.com.au. Shareholders will also be permitted to ask questions in person at the Meeting once the Chair has read out each item of business.

ENQUIRIES

If you have any questions about this Notice or your Proxy Form please contact the Company's share registry, Link Market Services at 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia).

By order of the Board

Tony Pearson, Chair

23 August 2021

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – RATIFICATION OF TRANCHE 1 SHARE ISSUE

1.1 Background

On 6 August, 2021, the Company announced that it had received firm commitments to raise approximately \$30 million (before transaction costs) through a two-tranche placement to institutional, sophisticated and professional investors (**Placement**).

The Placement followed the announcement that the Cabinet of Ministers of the Government of the United Republic of Tanzania had approved the grant of a Special Mining Licence (**SML**) for the Ngualla Rare Earth Project (**Ngualla Project**) to PR NG Minerals Ltd (**PR NG**), a 100% owned Tanzanian incorporated subsidiary of Peak.

The Company has given a commitment to the Government of the United Republic of Tanzania (**Tanzanian Government**) to transfer the Ngualla Project SML (when granted) to a newly registered Tanzanian company that will be jointly owned by Peak (84%) and the Tanzanian Government (16%) (**NewCo**).

The net proceeds of the Placement will be used by Peak to progress the development of the Ngualla Project and the Teesside Refinery (including offtake and financing arrangements), expanding the Company's technical and marketing team, and the repayment of the ANRF Royalty Facility (see Resolution 4 and Section 4 below). As noted in Section 4 below, the repayment of the ANRF Royalty Facility (and release of the related Royalty Security) is a key requirement to fulfilling the Company's commitment to the Tanzanian Government to transfer the SML to NewCo (see Resolution 4 and Section 4 below).

The Placement is being conducted in two tranches, with an initial tranche of 226,851,892 New Shares (being the Tranche 1 Shares) being issued on 13 August 2021 utilising the Company's then existing Listing Rule 7.1 placement capacity to raise \$20.4 million (before transaction costs). The remaining 106,481,442 New Shares (being the Tranche 2 Shares) are to be issued as part of the second tranche of the Placement to raise a further \$9.6 million (before transaction costs), subject to Shareholder approval being obtained (see Resolution 2 and Section 2 below).

At the same time as the Placement was announced to ASX, the Company also announced its intention to undertake a share purchase plan to raise up to an additional \$4 million, being the 2021 SPP (see Resolution 3 and Section 3 below).

1.2 Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, without prior approval of shareholders and subject to specified exceptions, issue or agree to issue more equity securities (as that term is defined under the Listing Rules) during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The issue of the Tranche 1 Shares did not fit within any of these exceptions and so were issued within the Company's 15% placement capacity under Listing Rule 7.1.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made, provided the Company complied with Listing Rule 7.1 at the time of issuing the relevant equity securities. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the Company's capacity to issue further equity securities without Shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. To this end, Resolution 1 seeks Shareholder approval for the issue of the Tranche 1 Shares under and for the purposes of Listing Rule 7.4 and for all other purposes.

If Resolution 1 is approved, the Tranche 1 Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities it can issue without Shareholder approval over the 12 month period following their issue.

If Resolution 1 is not approved by the requisite majority, the Tranche 1 Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following their issue.

1.3 Information required by the Listing Rules

In compliance with the information requirements of Listing Rule 7.5, Shareholders are advised of the following information in relation to the Tranche 1 Shares the subject of Resolution 1:

1. The names of the persons to whom the Company issued or agreed to issue the securities or the basis on which those persons were identified or selected

The Tranche 1 Shares were issued to certain institutional, sophisticated and professional investors procured by Aitken Murray Capital Partners, Canaccord Genuity (Australia) Limited and Fosters Stockbroking, who acted as Joint Lead Managers to the Placement. Ashanti Capital acted as Co-Manager to the Placement. The investors were identified through a bookbuild process.

2. Number and class of securities the entity issued or agreed to issue

226,851,892 Tranche 1 Shares have been issued. The Tranche 1 Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.

3. Date of issue

The Tranche 1 Shares were issued on 13 August 2021.

4. Issue price

The issue price was \$0.09 per Tranche 1 Share.

5. Purpose and intended use of the funds raised

The net proceeds of the issue of the Tranche 1 Shares will be used, in conjunction with any funds raised from the issue of the Tranche 2 Shares, by the Company to progress the development of the Ngualla Project and the Teesside Refinery (including offtake and financing arrangements), expanding

the Company's technical and marketing team, and the repayment of the ANRF Royalty Facility.

6. Voting exclusion statement

A voting exclusion statement for Resolution 1 is included in the Notice of Meeting preceding this Explanatory Statement.

1.4 **Board recommendation**

The Board believes that the proposed issue of the Tranche 1 Shares is beneficial for the Company and unanimously recommends Shareholders vote in favour of Resolution 1.

2. **RESOLUTION 2 – APPROVAL OF TRANCHE 2 SHARE ISSUE**

2.1 **Background**

At the time the Placement referred to in Section 1 above was announced, the Company did not have sufficient capacity under Listing Rule 7.1 to be able to issue the Tranche 2 Shares without obtaining prior Shareholder approval.

Resolution 2 seeks the required Shareholder approval for the issue of the Tranche 2 Shares under and for the purposes of Listing Rule 7.1.

2.2 **Listing Rule 7.1**

A summary of Listing Rule 7.1 is provided in Section 1 above.

If Resolution 2 is passed, the Company will be able to proceed with the issue of the Tranche 2 Shares, with the net proceeds from that issue being used to progress the development of the Ngualla Project and the Teesside Refinery (including offtake and financing arrangements), expanding the Company's technical and marketing team, and the repayment of the ANRF Royalty Facility (see Resolution 4 and Section 4 below). In such circumstances, the issue of the Tranche 2 Shares will also be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

If Resolution 2 is not passed, the Company will not be able to proceed with the issue of the Tranche 2 Shares. As the majority of the proceeds from the issue of the Tranche 1 Shares will be used to fund the repayment of the ANRF Royalty Facility, the Board would need to consider alternative sources of finance to further the development of the Ngualla Project and the Teesside Refinery. Such additional financing may be unavailable to the Company, or may only be available on unattractive terms.

2.3 **Information required by the Listing Rules**

In compliance with the information requirements of Listing Rule 7.3, Shareholders are advised of the following information in relation to the Tranche 2 Shares the subject of Resolution 2:

1. The names of the persons to whom the Company will issue the securities or the basis on which those persons were or will be identified or selected

If the issue is approved, the Tranche 2 Shares will be issued to certain institutional, sophisticated and professional investors procured by Aitken Murray Capital Partners, Canaccord Genuity (Australia) Limited and Fosters

Stockbroking, who acted as Joint Lead Managers to the Placement. Ashanti Capital acted as Co-Manager to the Placement. The investors were identified through a bookbuild process.

2. Maximum number and class of securities to be issued

The Company intends to issue a total of 106,481,442 New Shares. The New Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue.

3. Date of issue

The Tranche 2 Shares will be issued and allotted by the Company as soon as reasonably practicable after the Meeting but, in any case, not later than 3 months after the date of Shareholder approval pursuant to Resolution 2 or such later date as approved by ASX. The Company intends to issue all of the Tranche 2 Shares on the same date.

4. Issue price

The issue price will be \$0.09 per New Share.

5. Purpose and intended use of the funds raised

The net proceeds of the issue of the Tranche 2 Shares will be used, in conjunction with the funds raised from the issue of the Tranche 1 Shares, to progress the development of the Ngualla Project and the Teesside Refinery (including offtake and financing arrangements) and to expand the Company's technical and marketing team.

6. Voting exclusion statement

A voting exclusion statement for Resolution 2 is included in the Notice of Meeting preceding this Explanatory Statement.

2.4 Board recommendation

The Board believes that the proposed issue of the Tranche 2 Shares is beneficial for the Company and unanimously recommends Shareholders vote in favour of Resolution 2.

3. RESOLUTION 3 – APPROVAL FOR ISSUE OF SHARE PURCHASE PLAN SHARES

3.1 Overview

As noted in Section 1 above, the Company has announced its intention to undertake a share purchase plan (**2021 SPP**) under which eligible Shareholders will be entitled to subscribe for Shares at the same price as Shares issued under the Placement (being \$0.09 per Share), to raise up to a further \$4 million.

As the Company undertook a share purchase plan in late 2020 (**2020 SPP**), participation by eligible Shareholders in the 2021 SPP is to be limited to maximum applications of \$30,000 worth of Shares less any amount taken up pursuant to the 2020 SPP due to applicable ASIC requirements.

The 2021 SPP terms and conditions will be set out in full in a share purchase plan offer booklet, a copy of which is expected to be dispatched to eligible Shareholders and lodged with ASX on 6 September 2021.

3.2 Listing Rule 7.1

A summary of Listing Rule 7.1 is provided in Section 1 above.

Whilst Listing Rule 7.2 Exception 5 provides an exception from Listing Rule 7.1 for the issue of securities under a share purchase plan, that exception is only available once in any 12 month period and there are requirements around the pricing of shares issued under the share purchase plan. As the Company conducted the 2020 SPP within the last 12 months and the issue price under the 2021 SPP is greater than the discount permitted by the relevant Listing Rule 7.2 exception, the Company is unable to rely on this exception to issue up to 44,444,444 Shares under the 2021 SPP (**SPP Issue**) without obtaining prior Shareholder approval.

Resolution 3 therefore seeks Shareholder approval for the purposes of Listing Rule 7.1 to enable the SPP Issue to proceed.

If Resolution 3 is passed, the Company will be able to proceed with the SPP Issue, with the net proceeds from that issue being used to progress the development of the Ngualla Project and the Teesside Refinery (including offtake and financing arrangements) and for general working capital purposes. Further, Shares issued pursuant to the SPP Issue will be excluded from the calculation of the number of equity securities that the Company can issue without obtaining prior Shareholder approval under Listing Rule 7.1.

If Resolution 3 is not passed, the Company will not be able to proceed with the SPP Issue such that Shareholders will not be afforded the opportunity to apply for Shares at the Placement price of \$0.09 per Share. As the SPP Issue would not proceed, the Company would not receive any additional funding through the issue of Shares pursuant to the 2021 SPP and so reduce the Company's available cash resources to fund the ongoing development of the Ngualla Project and the Teesside Refinery.

3.3 Information required by the Listing Rules

In compliance with the information requirements of Listing Rule 7.3, Shareholders are advised of the following information in relation to the SPP Issue the subject of Resolution 3:

1. The names of the persons to whom the Company will issue the securities or the basis on which those persons were or will be identified or selected

If the issue is approved, the Shares under the SPP Issue will be issued to eligible Shareholders who successfully apply to participate in the 2021 SPP. Eligible Shareholders will be those shareholders with a registered address in Australia or New Zealand who are registered as holders of Shares on the record date of 4.00pm (WST) on 5 August 2021 and who did not participate to the maximum amount of \$30,000 in the 2020 SPP.

2. Maximum number and class of securities to be issued

The Company intends to issue a total of up to 44,444,444 Shares under the SPP Issue. The Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue.

3. Date of issue

The Shares under the SPP Issue will be issued and allotted by the Company as soon as reasonably practicable after the close of the 2021 SPP, but in any case not later than 3 months after the date of Shareholder approval pursuant to Resolution 3 or such later date as approved by ASX. The Company intends to issue all of the Shares under the SPP Issue within 7 days of the closing date of the 2021 SPP.

4. Issue price

The issue price will be \$0.09 per Share, being the same issue price as Shares issued under the Placement.

5. Purpose and intended use of the funds raised

The net proceeds from the SPP Issue will be used, in conjunction with the funds raised from the Placement, to progress the development of the Ngualla Project and the Teesside Refinery (including offtake and financing arrangements) and for general working capital purposes.

6. A summary of other materials terms of the agreement

The 2021 SPP terms and conditions will be set out in full in a share purchase plan offer booklet, a copy of which is expected to be dispatched to eligible Shareholders and lodged with ASX on 6 September 2021.

7. Voting exclusion statement

A voting exclusion statement for Resolution 3 is included in the Notice of Meeting preceding this Explanatory Statement.

3.4 **Board recommendation**

The Board believes that the proposed SPP Issue is beneficial for the Company and unanimously recommends Shareholders vote in favour of Resolution 3.

4. **RESOLUTION 4 – APPROVAL TO COMPLETE REPAYMENT AGREEMENT**

4.1 **Overview**

As announced by the Company on 6 August 2021, the Company has entered into a Royalty Repayment and Release Agreement (**Repayment Agreement**) with respect to the repayment of a financing facility (**ANRF Royalty Facility**) made available by ANRF Royalty Company Limited (**ANRF**), a company associated with Appian Pinnacle Holdco Limited (**Appian**) who is a substantial shareholder of the Company, pursuant to a royalty agreement entered into between the parties in 2014 (**Royalty Agreement**).

The option to enter into the Royalty Agreement, which provides a 2% gross revenue royalty over the life of the Ngualla Project, was granted to ANRF as part of the financing package for the Bankable Feasibility Study (**BFS**) for the Ngualla Project announced by the Company in September 2014. In July 2015, ANRF exercised its option and extended a US\$5,191,201 financing package (**Principal Sum**) to the Company as part of the funding for the BFS.

The Repayment Agreement includes agreement on the payment of accrued interest on the Principal Sum outstanding under the ANRF Royalty Facility (**Accrued Interest**) as at the date the Cabinet of Ministers of the Government of the United Republic of Tanzania approved the grant of an SML for the Ngualla Project to PR NG, a 100% owned Tanzanian incorporated subsidiary of the Company.

If Resolution 4 is approved by Shareholders then completion under the Repayment Agreement will occur shortly after the Meeting. At completion the Company will repay the Principal Sum and Accrued Interest to ANRF and following receipt of those payments, the Royalty Agreement, and the 2% gross revenue royalty granted to ANRF pursuant to the Royalty Agreement, will be terminated (referred to as the **Royalty Transaction**).

Further, upon completion, ANRF will discharge and release all security arrangements in connection with the ANRF Royalty Facility, including a fixed and floating debenture over the assets and undertakings by PR NG (which currently holds the Ngualla Project licences) (**Royalty Securities**), thereby resulting in PR NG reacquiring unencumbered title in the assets the subject of security arrangements free of such security arrangements.

This is an important step towards the grant of the SML and fulfilling the Company's commitments to the Tanzanian Government, as completion of the Royalty Transaction and release of the Royalty Securities will allow PR NG to transfer the SML (when granted) to NewCo.

In the absence of repayment of the Royalty Transaction, there is no certainty that the Company will be able to transfer the SML from PR NG to NewCo in a manner which would satisfy the requirements of ANRF (as the royalty holder) and the Tanzanian Government (as a shareholder in NewCo).

ANRF also has the right to receive a "Default Termination Sum" based on the value of the royalty over the life of the project based on anticipated production and market prices (based on an independent market study) if an "Event of Default" occurs under the Royalty Agreement.

Completion of the Royalty Transaction ensures that the "Default Termination Sum" does not become payable with respect of the transfer of the SML to NewCo (which in the absence of the Royalty Transaction, may constitute an "Event of Default" under the Royalty Agreement). The amount payable under the Royalty Transaction is significantly less than the Company's current estimation of the "Default Termination Sum" that may become payable should the Company proceed to transfer of the SML to NewCo (and so trigger an "Event of Default" under the Royalty Agreement).

As Appian is a substantial shareholder of the Company, the repayment of the Principal Sum and the Accrued Interest on the terms and conditions of the Repayment Agreement and termination of the Royalty Agreement may, for the purposes of Listing Rule 10.1, constitute the acquisition of a substantial asset from ANRF due to the cancellation of the 2% life-of-mine gross revenue royalty. As ANRF is an associate of Appian, approval of the transaction is sought from shareholders to ensure compliance with Listing Rule 10.1.

If Shareholders do not approve Resolution 4, then the Company would need to negotiate and agree revised arrangements with ANRF to facilitate the transfer of the SML from PR NG to NewCo (on terms which are satisfactory to the Tanzanian Government). If terms cannot be agreed and the SML is transferred to NewCo without ANRF's consent under the Royalty Agreement and Royalty Security, then the transfer may constitute an "Event of Default" under the Royalty Agreement

and ANRF may initiate proceedings to recover the "Default Termination Sum" from the Company. These outcomes have the potential to significantly delay finalisation of an Economic Framework Agreement, Shareholders' Agreement and the grant of the SML (given the Company's commitment to transfer the SML to NewCo).

As noted below, the Independent Expert has concluded that the terms of that Royalty Transaction are **FAIR AND REASONABLE** to Shareholders (other than Appian) (see Section 4.5 below).

The Directors recommend that Shareholders vote in favour of Resolution 4 (see Section 4.8 below).

4.2 Material terms of the Repayment Agreement

Termination of Royalty Agreement and 2% gross revenue royalty

Under the Repayment Agreement, PR NG will make a payment to ANRF of US\$9,978,755.42, which comprises the repayment of the Principal Sum of US\$5,191,201.18 and payment of the Accrued Interest of US\$4,787,554.24. The Royalty Agreement, and the 2% gross revenue royalty over the life of the Ngualla Project, will be terminated, and PR NG will be released from the associated security arrangements.

Conditions precedent

Completion under the Repayment Agreement remains subject to the Company's shareholders approving the Royalty Transaction pursuant to ASX Listing Rule 10.1 (being the subject of Resolution 4).

Appian shareholder rights

In connection with the Repayment Agreement, Appian has agreed to terminate the heads of agreement entered into in 2019 in connection with the acquisition of the minority ownership interest in the Ngualla Project whereby Appian became a substantial shareholder of the Company but has retained within the Repayment Agreement modified shareholder rights as set out below.

(a) Director nomination rights

Following completion of the Repayment Agreement, Appian will be entitled to appoint:

- no more than one individual as a non-executive Director of the Company for so long as Appian holds at least 10% of the Shares on issue; and
- up to two individuals as non-executive Directors of the Company for so long as Appian holds at least 20% of the Shares on issue.

(b) Capital raising notification right

Following completion of the Repayment Agreement, the Company must provide Appian with at least 5 business days' notice of any proposed equity capital raising. This right only applies while Appian holds at least 10% of the Shares on issue and does not provide Appian with the right to participate in any such capital raising.

(c) Information and consultation rights

Following completion of the Repayment Agreement, and subject to Appian holding at least 10% of the Shares on issue, the Company must (if required by Appian) provide Appian with certain information in relation to the Ngualla Project, including updates on the project and the Company's performance and progress towards achieving its objectives in relation to the project. The Company must also allow Appian (at Appian's cost) to conduct a site visit at the Ngualla Project once per calendar year, and the Company must consult with Appian regarding potential corporate or financing transactions.

The Repayment Agreement otherwise contains terms which are considered customary for an agreement of its nature, including terms in relation to parent guarantees, tax, confidentiality and costs and expenses.

4.3 Advantages and disadvantages of the Royalty Transaction

The Directors consider that the Royalty Transaction has the following advantages:

- Repayment of the ANRF Royalty Facility, including the Accrued Interest, will result in the termination of a 2% life-of-mine gross revenue royalty over the Ngualla Project and the release of related security arrangements.
- Repayment of the Royalty Agreement and the release of the related security arrangements is a key milestone for developing the Ngualla Project, as it enables the Company to fulfil its commitment to transfer the Ngualla Project SML into a newly registered Tanzanian company (NewCo) that will be jointly owned by Peak (84%) and the Tanzanian Government (16%). This should allow the SML to be granted once the Economic Framework Agreement, Shareholders' Agreement and other related documentation required as part of a formal grant of the SML are agreed.
- Termination of the Royalty Agreement removes the risk of the Royalty Agreement being acquired by a third-party that could frustrate the transfer of the Ngualla Project SML into a newly registered Tanzanian company and the Company's commitments to the Tanzanian Government.
- The repayment of the Principal Sum and the payment of the Accrued Interest is materially below the anticipated value of the royalty stream over the life of the Ngualla Project which reflects the significant enhancement in the value of the project since July 2015.
- The repayment of the ANRF Royalty Facility will enhance Shareholders' exposure to the Ngualla Project and better position the project to secure attractive long-term financing to assist with its development.
- In the absence of repayment of the Royalty Agreement and release of the related security arrangements, there is no certainty that the Company will be able to fulfil its commitment to the Tanzanian Government to transfer the SML to NewCo, which could materially delay the grant of the SML (or result in the SML not being granted at all). In these circumstances, the Company believes it is likely to need to enter into alternative arrangements with Appian, ANRF and the Tanzanian Government in order to seek to vary the existing security arrangements so as to permit the establishment of a new company to hold the relevant

SML. However, there is no certainty that an acceptable arrangement will be reached with Appian, ANRF or the Tanzanian Government should these circumstances arise.

- If the Company purports to transfer the SML to NewCo and that transfer is not permitted under the Royalty Agreement, then the "Default Termination Sum" under the Royalty Agreement could become payable. Repayment of the Royalty Agreement and release of the related security arrangements removes this risk.

The Directors consider that the Royalty Transaction has the disadvantage that repayment of the ANRF Royalty Facility, including the Accrued Interest, will result in an upfront payment of US\$9,978,755 (excluding transaction costs) to be funded by the Placement, thereby depleting the Company's available cash resources.

4.4 Listing Rule 10.1

Listing Rule 10.1 provides that an ASX-listed company must not acquire (or agree to acquire), or dispose of (or agree to dispose of), a "substantial asset" to (relevantly) a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the Company or an associate of such a substantial holder, unless it obtains the prior approval of its Shareholders.

As at the date of the Notice, Appian is a substantial (10%+) holder of the Company for the purposes of Listing Rule 10.1 by virtue of its direct interest in 435,878,376 Shares (being 23.48% of the total Shares on issue). The Company understands that ANRF is an associate of Appian. Accordingly, Appian and ANRF are persons to whom Listing Rule 10.1 may apply.

For the purposes of Listing Rule 10.1, an asset will be a "substantial asset" if its value, or the value of the consideration for its acquisition or disposal, exceeds 5% or more of the equity interests in the entity as set out in the latest accounts given to ASX under the Listing Rules.

Under the Repayment Agreement, the Company is required to pay an amount equal to US\$9,978,755 (excluding transaction costs), which is in excess of 5% of the equity interests in the Company as shown in its 31 December 2020 financial statements (as released to ASX on 12 March 2021).

Notwithstanding that the Company is not "acquiring" the Royalty in the traditional sense, the Royalty Transaction may be considered to be equivalent to the acquisition of a substantial asset for the purposes of Listing Rule 10.1 because completion of the Repayment Agreement results in the Company paying an amount equal to more than 5% of the equity interests in the Company to a substantial holder resulting in the termination of the Royalty (and discharge of related security arrangements).

Accordingly, Resolution 4 seeks Shareholder approval to proceed with the completion of the Repayment Agreement and the Royalty Transaction for the purposes of Listing Rule 10.1.

If Resolution 4 is passed, the Company will be able to proceed with the Repayment Agreement and the Royalty Transaction resulting in the termination of the 2% gross revenue royalty over the life of the Ngualla Project. As noted above, this is a key condition to meeting the Tanzanian Government's requirements for the grant of the SML (as it facilitates the transfer of the SML to NewCo).

If Resolution 4 is not passed, the conditions for completion of the Repayment Agreement and the Royalty Transaction will not be satisfied, the transaction will not proceed and the Company will continue to be liable to pay royalties to Appian in accordance with the Royalty Agreement, and the 2% life-of-mine gross revenue royalty over the Ngualla Project will remain.

Further, if Resolution 4 is not passed, the existing security arrangements over the assets and undertakings by PR NG (which currently holds the Ngualla Project licences) would remain in place. This may limit the ability of the Company to fulfil its commitments to the Tanzanian Government to establish a new company (to be owned 84% by the Company and 16% by the Tanzanian Government) to hold the SML proposed to be granted for the Ngualla Project. In such circumstances, the Company believes it is likely to need to enter into alternative arrangements with Appian, ANRF and the Tanzanian Government in order to seek to vary the existing security arrangements so as to permit the establishment of a new company to hold the relevant SML. However, there is no certainty that an acceptable arrangement could be reached with Appian, ANRF or the Tanzanian Government should these circumstances arise.

4.5 Independent Expert's Report

Listing Rule 10.5.10 requires a notice of meeting containing a resolution under Listing Rule 10.1 to include a report on the Royalty Transaction from an independent expert.

The Independent Expert's Report in respect of the Royalty Transaction is set out at Annexure A. It sets out a detailed independent examination of the Royalty Transaction to enable Shareholders (other than Appian) to assess the merits and decide whether to approve Resolution 4.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Royalty Transaction and concludes that the terms of that transaction are **FAIR AND REASONABLE** to Shareholders (other than Appian).

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

4.6 Information required by the Listing Rules

In compliance with the information requirements of Listing Rule 10.5, Shareholders are advised of the following information in relation to the Royalty Transaction:

1. The name of the person from whom the entity is acquiring the substantial asset

ANRF Royalty Company Limited, a company associated with a substantial shareholder of the Company, Appian Pinnacle Holdco Limited.

2. Which category in rules 10.1.1 – 10.1.5 the person falls within and why

Listing Rule 10.1.4, because ANRF is an associate of Appian, a substantial (10%+) holder in the Company.

3. Details of the transaction

Under the terms of the transaction, repayment of the ANRF Facility results in the termination of the 2% life-of-mine gross revenue royalty over the Ngualla Project

on the terms and conditions of the Repayment Agreement. Given the effect of the transaction on that royalty, the Company considers that the transaction should be subject to obtaining the prior approval of Shareholders pursuant to Listing Rule 10.1.

4. The consideration for the transaction

Repayment of the ANRF Royalty Facility, including the Accrued Interest, which will result in an upfront payment of US\$9,978,755 (excluding transaction costs).

5. The intended source of funds (if any) to pay for the transaction

Repayment of the ANRF Royalty Facility, including the Accrued Interest, will be funded from the net proceeds from the Placement.

6. The timetable for completing the transaction

Completion under the Repayment Agreement will take place at least 5 business days after the satisfaction of the condition precedent to the Repayment Agreement. The condition precedent must be satisfied by 5 November 2021, otherwise any party to the Repayment Agreement can terminate the agreement.

7. If the transaction is occurring under an agreement, a summary of any other material terms of the agreement

The material terms of the Repayment Agreement are set out in Sections 4.1 and 4.2 above.

8. Voting exclusion statement

A voting exclusion statement for Resolution 4 is included in the Notice of Meeting preceding this Explanatory Statement.

9. Independent Expert's Report

The Independent Expert's Report in respect of the Royalty Transaction is set out at Annexure A.

4.7 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors consider Appian may be perceived to be a "related party" of the Company for the purposes of the Corporations Act due to the fact that Appian is a 23.48% shareholder in the Company and that Appian the right to nominate two directors to the Board (currently Mr Tony Pearson and Ms Rebecca Morgan) notwithstanding that the two directors currently so nominated are considered by

the Board to be independent directors. Even if Appian was considered to be a related party of the Company for these purposes, the Directors consider that the Royalty Transaction was negotiated on an arm's length basis and therefore falls within an exception to the requirement to obtain prior Shareholder approval to the Royalty Transaction pursuant to Chapter 2E of the Corporations Act. In this regard:

- the Appian nominated Directors did not engage with Appian in the negotiation of the Repayment Agreement so as to avoid any perception of undue influence being exerted; and
- the Company and Appian were each separately legally represented in the negotiation of the Royalty Transaction, such that the Company received independent advice regarding the Royalty Transaction.

4.8 Board recommendation

Based on the information available, including the information contained in this Explanatory Memorandum (including the Independent Expert's Report set out in Annexure A), the Directors recommend that Shareholders vote in favour of Resolution 4 as they consider that the Royalty Transaction is in the best interests of Shareholders not associated with Appian, for the reasons set out in Section 4.3.

This recommendation is given on the basis that the Independent Expert continues to conclude that the Royalty Transaction is fair and reasonable or at least that the transaction is reasonable.

GLOSSARY

\$ means Australian dollars.

2021 SPP means the share purchase plan announced by the Company on 6 August 2021.

ANRF Royalty Facility has the meaning given to that term in Section 4.1.

Appian means Appian Pinnacle Holdco Limited.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company or **Peak** means Peak Resources Limited (ACN 112 546 700).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Listing Rules means the Listing Rules of ASX.

Meeting or **General Meeting** means the general meeting of the Company convened by the Notice of Meeting

New Shares means the new Shares issued or proposed to be issued pursuant to the Placement.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Ngualla Project means the Ngualla Rare Earth Project.

Placement has the meaning given to that term in Section 1.1.

PR NG means PR NG Minerals Ltd, a 100% owned Tanzanian incorporated subsidiary of Peak.

Proxy Form means the proxy form accompanying the Notice.

Repayment Agreement has the meaning given to that term in Section 4.1.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Royalty Transaction means the transaction described in Section 4 of the Explanatory Statement.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Teesside Refinery means the Company's proposed rare earth refinery to be constructed near the town of Middlesbrough in the Tees Valley, United Kingdom.

Tranche 1 Shares means the 226,851,892 New Shares issued by the Company on 13 August 2021.

Tranche 2 Shares means the 106,481,442 New Shares which are proposed to be issued by the Company, subject to Shareholder approval being obtained.

US\$ means United States dollars.

WST means Western Standard Time as observed in Perth, Western Australia.



PEAK RESOURCES LIMITED

Financial Services Guide and Independent Expert's Report

16 August 2021

We have concluded that the Proposed Transaction is fair and reasonable

FINANCIAL SERVICES GUIDE

16 August 2021

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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16 August 2021

The Directors
Peak Resources Limited
Mezzanine Floor, 190 St Georges Terrace
Perth WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Peak Resources Limited ("PEK" or "the Company") to be held on or around 24 September 2021, at which shareholder approval will be sought for (among other things) the repayment of funds advanced as part of a financing package for the Bankable Feasibility Study ("BFS") for the Ngualla Rare Earth Project ("Ngualla Project").
- 1.2 On 27 September 2014, the Company's 100% owned subsidiary PR NG Minerals Limited ("PRNG") entered into a royalty agreement with Appian Pinnacle Holdco Limited ("Appian") and ANRF Royalty Company Limited ("ANRF"), a company associated with Appian, ("the Royalty Agreement"). The option to enter into the Royalty Agreement, which provides a 2% gross revenue royalty over the life of the Ngualla Project, was granted to ANRF as part of the financing package for the BFS ("the ANRF Royalty Facility").
- 1.3 In July 2015, ANRF exercised its option and extended a US\$5.19 million financing package ("Principal Sum") to the Company. The security arrangements associated with the ANRF Royalty Facility include a fixed and floating debenture over the assets and undertakings of PRNG ("the Royalty Securities"), which currently holds the Ngualla Project licences.
- 1.4 On 5 August 2021, PEK, PRNG, Appian and ANRF entered into a Royalty Repayment and Release Agreement ("Repayment Agreement") whereby PRNG has agreed to pay an amount of US\$9.98 million ("the Consideration") to repay all amounts (including accrued interest) owing under the ANRF Royalty Facility, upon which the Royalty Agreement will be terminated and the Royalty Securities will be released ("the Proposed Transaction").
- 1.5 If the Proposed Transaction completes, the Royalty Agreement and 2% gross revenue royalty payable to ANRF will be terminated upon ANRF's receipt of the Principal Sum and accrued interest ("the Royalty Transaction"), and PEK would therefore receive the economic benefit of the future royalty stream which would otherwise have been payable to ANRF in the absence of the Proposed Transaction ("the Future Royalty Stream").

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- 1.6 Appian is a substantial shareholder of the Company and the Royalty Transaction may, for the purposes of ASX Listing Rule 10.1, constitute the acquisition of a substantial asset from ANRF (an associate of Appian), therefore approval of the Proposed Transaction is being sought from shareholders to ensure compliance with Listing Rule 10.1. The condition precedent to completion of the Proposed Transaction is that the Company obtain shareholder approval of the Proposed Transaction under Listing Rule 10.1.
- 1.7 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").
- 1.8 The request for approval of the Proposed Transaction is included as Resolution 4 in the Notice, and is set out below:

"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to complete the Royalty Transaction on the terms and conditions set out in the Explanatory Memorandum."
- 1.9 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and conclusion

Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 11 and 12 of this Report, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of PEK.

Approach

- 2.2 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party or relevant substantial shareholder or any of its associates without the approval of holders of the entity's ordinary securities.
- 2.3 An asset is considered substantial "if its value; or the value of the consideration for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX".
- 2.4 ASX Listing Rule 10.5.10 sets out the requirement for the inclusion of an independent expert's report opining on whether the transaction is fair and reasonable.
- 2.5 We have considered whether or not the Proposed Transaction is "fair" to the Non-Associated Shareholders by assessing and comparing:
- The Fair Value of the Future Royalty Stream, being the economic benefit which would be retained by PEK; with
 - The Fair Value of the Consideration, being the amount payable by PRNG to repay the ANRF Royalty Facility, following which the Royalty Agreement will be terminated and the Royalty Securities released,

and, considered whether the Proposed Transaction is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

- 2.6 Further information of the approach we have employed in assessing whether the Proposed Transaction is "fair" and "reasonable" is set out at Section 4 of this Report.

Fairness

- 2.7 Our assessed values of the Future Royalty Stream and the Consideration are summarised in the table and figure below.

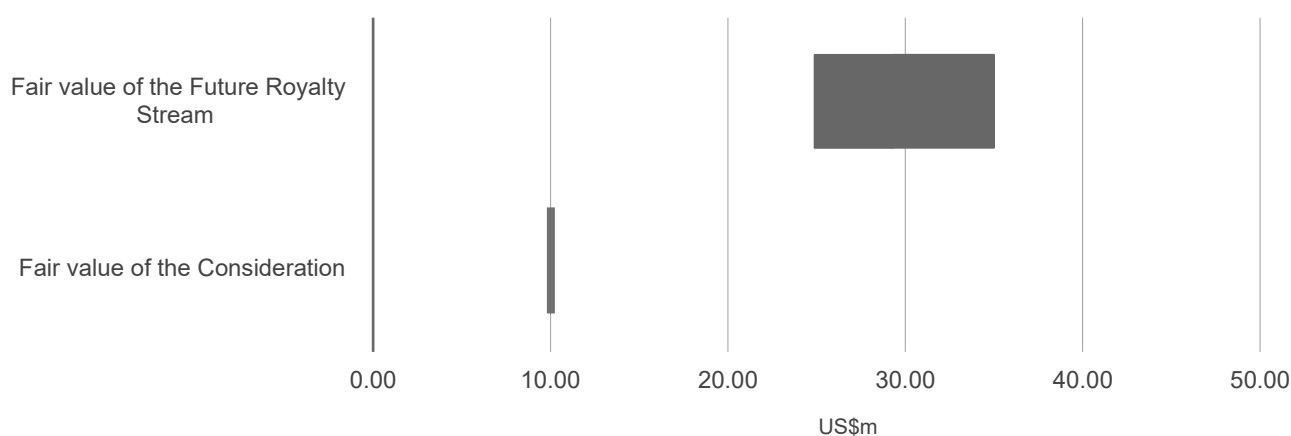
Table 1 Assessment of fairness

Assessment of fairness US\$m	Ref.	Value	
		Low	High
Fair value of the Future Royalty Stream	8.34	24.90	35.00
Fair value of the Consideration	9.2	9.98	9.98

Source: RSM analysis

2.8 We have summarised the values included in the table above in the chart below.

Figure 1 Fairness graphical representation



Source: RSM analysis

2.9 The chart above indicates that the Consideration is less than the range of assessed values of the Future Royalty Stream, which would be retained by PEK if the Proposed Transaction proceeds.

2.10 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of PEK.

Reasonableness

2.11 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.12 If the Proposed Transaction does not proceed then:

- the Royalty Agreement would remain in force, meaning the Company would continue to be liable to pay the 2% gross revenue royalty to ANRF for the life of the Ngualla Project;
- the existing security arrangements over the assets and undertakings of PRNG (which holds the Ngualla Project licences) would remain in place, which may limit the ability of the Company to fulfil its commitment to the Tanzanian Government to establish a new company to hold the SML proposed to be granted for the Ngualla Project; and
- the Company would therefore be required to enter into alternative arrangements with Appian, ANRF and the Tanzanian Government, in order to seek to vary the existing security arrangements to permit the establishment of a new company to hold the SML. There is no guarantee that PEK would be able to reach an alternative agreement acceptable to all parties.

2.13 The key advantages of the Proposed Transaction are:

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders.
Retain economic benefit for Shareholders of the Future Royalty Stream	The total royalty amount payable to ANRF over the life of the project is projected to be around US\$166.54 million. If the Proposed Transaction occurs, PEK no longer has a liability to pay these royalty rights to ANRF and would retain the future royalty stream that would otherwise have been payable to ANRF in the absence of the Proposed Transaction.
Release of Royalty Securities	Upon completion of the Proposed Transaction, ANRF will discharge and release its right, title and interest in the assets and undertakings of PRNG which currently holds the Ngualla Project licences.
Ability to fulfil commitment to the Tanzanian Government	The Proposed Transaction would permit the Company to fulfil its commitment to the Tanzanian Government to transfer the SML into a newly registered Tanzanian company, owned 16% by the Tanzanian Government and 84% by PEK., being a key milestone in the development of the Ngualla Project.
Eliminates risk of third party involvement	The Proposed Transaction will remove the risk of the Royalty Agreement being acquired by a third party, which may frustrate the development of the Ngualla Project.
May enhance project funding position	By enhancing the Shareholders' exposure to the Ngualla Project, the Proposed Transaction may better position the Company to secure long-term funding for the development of the Ngualla Project.

2.14 The key disadvantages of the Proposed Transaction are:

Disadvantage	Details
Use of cash reserves	The Repayment Agreement requires the immediate payment of US\$9.98 million which would reduce the Company's available cash reserves. However, the recently completed share placement has provided sufficient funding to pay the proposed Consideration.

2.15 In our opinion, the position of the Non-Associated Shareholders of PEK, if the Proposed Transaction is approved, is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any material new developments or other relevant information, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of PEK.

3. Summary of Proposed Transaction

Overview

- 3.1 On 5 August 2021, PEK entered into the Repayment Agreement with PRNG, PEK's 100% owned subsidiary, Appian and ANRF, a company associated with Appian.
- 3.2 The Repayment Agreement facilitates termination of the Royalty Agreement and the granted 2% gross revenue royalty of the Ngualla Project, via payment of US\$9.98 million comprising the Principal Sum and accrued interest on that amount.
- 3.3 Under the Royalty Agreement, entered into by PRNG, PEK and Appian on 27 September 2014, ANRF was granted a 2% gross revenue royalty over the life of the Ngualla Project. In return, ANRF would provide part of a financing package for the BFS for the Ngualla Project, being the ANRF Royalty Facility.
- 3.4 In July 2015, ANRF extended a US\$5.19 million financing package to the Company, being the Principal Sum. The Repayment Agreement includes agreement on the payment of accrued interest on the Principal Sum outstanding as at the date the Cabinet of Ministers of the Government of the United Republic of Tanzania ("the Tanzanian Government") approved the grant of a Special Mining Licence ("SML") for the Ngualla Project to PRNG.
- 3.5 The Consideration therefore comprises the Principal Sum and accrued interest, as summarised below:

Table 2 Breakdown of Consideration

US\$	
Principal Sum	5,191,201
Accrued interest	4,787,554
Consideration	9,978,755

Source: Company

- 3.6 The Proposed Transaction will result in:
 - Termination of the 2% gross revenue royalty over the life of the Ngualla Project;
 - A release and discharge of all and any security rights which ANRF and Appian have over the assets of PRNG or PEK;
 - Termination of the Royalty Agreement; and
 - Termination of each security document by PRNG, ANRF and Appian.
- 3.7 The security arrangements associated with the ANRF Royalty Facility currently include a fixed and floating debenture over the assets and undertakings of PRNG, which currently holds the Ngualla Project licences. The discharge and release of the Royalty Securities would result in PRNG reacquiring unencumbered title in the assets.
- 3.8 On 22 July 2021, PEK announced that PRNG had received approval from the Tanzanian Government for a SML application for the Ngualla Project. The Company has given a commitment to the Tanzanian Government to transfer the SML (when granted) to a newly registered Tanzanian entity, in which the Tanzanian Government will hold a 16% interest and PEK the remaining 84%.
- 3.9 If the Proposed Transaction does not proceed, the Company would be required to negotiate with Appian, ANRF and the Tanzanian Government to vary the security arrangements so as to permit the establishment of the new entity to hold the SML. The Board of PEK consider that there is no certainty that an acceptable agreement could be reached with Appian, ANRF or the Tanzanian Government should these circumstances arise.

- 3.10 The Royalty Agreement also provides a “Default Termination Sum” clause whereby PRNG is required to pay ANRF an amount equal to the revenue anticipated to be derived over the life of the project if an “Event of Default” occurs. The transfer of the SML to a new entity may constitute an “Event of Default” and therefore the Repayment Agreement ensures that this “Default Termination Sum” would not become payable.
- 3.11 In connection with the Repayment Agreement, Appian has retained a number of shareholder rights which it currently holds as a result of various agreements when Appian became a substantial shareholder of the Company. This includes non-executive Director nomination rights, with Appian only entitled to appoint one Director if it holds a 10% interest and up to two Directors if it holds over 20%, together with notification and consultation rights.

Key conditions of the Proposed Transaction

- 3.12 Completion of the Proposed Transaction is conditional upon Shareholder approval being obtained by PEK for the Proposed Transaction, including the termination of the Royalty Agreement and the royalty stream over the life of the Ngualla Project.

Rationale for the Proposed Transaction

- 3.13 If the Proposed Transaction proceeds, the Royalty Agreement would be terminated and PEK would extinguish all royalty right liabilities owing to ANRF. In addition, the release of the Royalty Securities would allow PRNG to transfer the SML to a new entity as committed to the Tanzanian Government.
- 3.14 If the Proposed Transaction does not proceed, the Company would need to negotiate and agree revised arrangements with ANRF to facilitate the transfer of the SML from PRNG to a new entity. If terms cannot be agreed and the SML is transferred to a new entity without ANRF’s consent, the transfer may constitute an “Event of Default” and “insolvency event” under the Royalty Agreement requiring PRNG to pay ANRF the expected Future Royalty Stream immediately. These outcomes could significantly affect the ability of the Company to finalise an Economic Framework Agreement, Shareholders Agreement and the grant of the SML.
- 3.15 In addition, if the Proposed Transaction does not proceed, PEK will continue to be liable to pay the Future Royalty Stream to Appian, in accordance with the Royalty Agreement.

Impact on PEK’s capital structure

- 3.16 The Proposed Transaction does not involve any issue of shares as the Consideration is payable in cash, therefore there would be no impact on the capital structure of PEK.
- 3.17 However, the Notice of Meeting also includes approval of two share placements and the issue of share purchase plan shares. Accordingly, the shareholding of Appian will change should all Resolutions be approved by Shareholders at the General Meeting. The table below sets out a summary of the current capital structure of PEK (stated after the issue of the Tranche One placement on 13 August 2021) and if all Resolutions are approved.

Table 3 Share structure of PEK

Ordinary Shares	Current Structure		If all Resolutions are Approved	
Appian	435,878,376	23.48%	435,878,376	21.71%
Non-Associated Shareholders	1,420,569,465	76.52%	1,571,495,351	78.29%
Total ordinary shares on issue	1,856,447,841	100.00%	2,007,373,727	100.00%

Source: RSM Analysis

- 3.18 Appian’s current interest of 23.48% will be diluted to 21.71% if all Resolutions are passed at the General Meeting and the 2021 SPP (as defined in the Notice of Meeting) is successful in raising A\$4 million.

4. Scope of the Report

ASX Listing Rules

- 4.1 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder, a related party or any of its associates without the approval of holders of the entity's ordinary securities.
- 4.2 ANRF is an associated company of Appian, a substantial shareholder of PEK holding an interest of 23.48% as at the date of this Report.
- 4.3 An asset is considered substantial "if its value, or the value of the consideration for it is, or in the ASX's opinion is 5% or more of the equity interest of the entity as set out in the latest financial statements given to the ASX". The Directors consider that the Proposed Transaction may constitute an acquisition of a substantial asset due to the cancellation of the 2% gross revenue life-of-mine royalty of the Ngualla Project.
- 4.4 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.5 must include a report on the transaction from an independent expert. The report must state whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.
- 4.5 Accordingly, PEK is to hold a meeting of its Shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSM, to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

Basis of evaluation

- 4.6 In determining whether the Proposed Transaction is "fair" and "reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.7 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.8 RG 111 states that the expert's report should focus on:
 - the issues facing the security holders for whom the report is being prepared: and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.9 RG 111 states that in relation to a related party transaction the expert's assessment of fair and reasonable should not be applied as a composite test – that is, there should be a separate assessment as to whether the transaction is "fair" and "reasonable" as in a control transaction.
- 4.10 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis we have undertaken is as follows:
 - assessing whether the value of the Consideration is less than the value of the Future Royalty Stream – fairness; and
 - a review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.
- 4.11 The other significant factors to be considered include:
 - the future prospects of the Company if the Proposed Transaction does not proceed; and
 - any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.12 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of Peak Resources Limited

Background

- 5.1 PEK is an Australian public company listed on the ASX and headquartered in Perth, Western Australia. The Company holds the following two key assets:
- the approvals and licence tenure over Ngualla Rare Earth deposit in Tanzania (“the Ngualla Project”); and
 - the 250-year lease of the site for the proposed Teesside Rare Earth refinery and separation facility in the United Kingdom (“the Teesside Refinery”).
- 5.2 The Company is focused on the exploration and evaluation of magnet metal Neodymium (Nd) and Praseodymium (Pr) rare earth mixed oxides at the Ngualla Rare Earth deposit in Tanzania.
- 5.3 PEK owns a 100% interest in Peak African Minerals (“PAM”), a company domiciled in Mauritius that has a 100% equity interest in PR NG Minerals Limited (“PRNG”), the 100% owner of the Ngualla Project in Tanzania. The Ngualla Project will comprise a multi-stage processing plant on site.
- 5.4 PEK also holds a 250-year lease on the Teesside Facility in the Tees Valley, United Kingdom. The Company aims to become a fully integrated producer of NdPr Oxide with its own rare earth refinery.
- 5.5 As discussed in paragraph 3.3, ANRF is entitled to receive royalties from PRNG, based on 2% of the gross revenue from product produced at the Teesside Refinery from concentrate provided from the Ngualla Project over the life of the mine. If the Proposed Transaction is completed, PEK, by way of PRNG, will not be required to pay royalty rights to Appian, and will therefore retain the Future Royalty Stream. This will result in funds being retained in the Company to the benefit of PEK Shareholders.

Ngualla Project

- 5.6 The Ngualla Project is one of the world’s largest and highest-grade undeveloped Nd and Pr rare earth projects. It is centred on the Ngualla Carbonatite in southern Tanzania, approximately 147 kilometres from the city of Mbeya on the edge of the East African Rift Valley.
- 5.7 The Ngualla Project tenure consists of three mineral rights held by PRNG. A summary of the tenements and areas of interest as at the date of this Report is provided in the table below:

Table 4 Summary of Mining Tenements

Tenement name	Mineral Right	Interest	Status	Arrangement
Mikuwo	PL 9157/2013	100%	Granted	Held by 100% owned PR NG Minerals Ltd
Mlingi	PL10897/2016	100%	Granted	Held by 100% owned PR NG Minerals Ltd
Ngualla	SML/00601/2017	100%	SML application approved, formal grant pending	Held by 100% owned PR NG Minerals Ltd

Source: The Company

- 5.8 In August 2017, a SML (Special Mining Licence) application was lodged with the Ministry of Energy and Minerals in Tanzania for the Ngualla Project by PRNG. The grant of the SML was delayed following the enactment of legislative changes announced by the Tanzanian Government and the passing of the President. However, on 22 July 2021, PEK announced that it had received cabinet approval of the SML application. The Tanzanian Government requires the SML (once granted) to be transferred to a newly registered Tanzanian company that will be jointly owned by PEK (84%) and the Tanzanian Government (16%).

- 5.9 The approval of the SML application is the final major regulatory approval required to develop and exclusively undertake mining operations at the Ngualla Project under the Mining Act of the United Republic of Tanzania. The Company will now move into financing, offtake and development workstreams, with construction at the Ngualla Project targeted to commence by the end of September 2022.

UK Rare Earth Refinery and Separation Plant

- 5.10 The Teesside Refinery is planned to process 32,700 tonnes of rare earth concentrate per year from the proposed Ngualla mine and processing plant in Tanzania. The Teesside Refinery is set to produce high purity rare earth oxides, including 2,800 tonnes of mixed Neodymium and Praseodymium oxide.
- 5.11 The Teesside plant is expected to be a key differentiator between PEK and its competitors, as it enables the Company to produce saleable rare earth oxide products in-house and sell its products directly to manufacturers and end users.
- 5.12 In 2017, PEK entered into a Heads of Terms Agreement with the UK's Homes and Communities Agency for an option over a 250 year lease for a 19 hectare parcel of land in Teesside. PEK exercised its option in May 2021 and announced on 11 June 2021 that the 250-year lease had been executed for a purchase price of GBP1,858,712 and an annual nominal peppercorn rental payment.
- 5.13 In June 2018, PEK received planning permission from the Redcar and Cleveland Borough Council, a primary regulatory hurdle required to allow construction of a Rare Earth Refinery at the site in Teesside, England. An environmental licence which is required for the operation of the facility was also received from the Environment Agency in September 2018. The planning permission has been successfully implemented and preliminary site works commenced on 22 March 2021.
- 5.14 In March 2021 the Company announced that the UK Government had selected the Teesside port as one of eight new freeports. The freeport area will benefit from tax relief, lower tariffs and customs, simplified customs procedures, streamlined planning process, tax breaks to encourage investment and government support to promote regeneration and innovation.

Directors

5.15 The directors of PEK are summarised in the table below.

Table 5 PEK Directors

Name	Title	Experience
Mr Tony Pearson	Non-Executive Chairman	Mr Pearson joined the board on 21 August 2018 and is an experienced international natural resources executive and company director. He was previously a Commissioner at the Independent Planning Commission and prior to that, he was a group executive at TSX/HKEx listed SouthGobi Resources based in Hong Kong, bringing over 15 years commercial and investment banking experience. Mr Pearson was appointed as Chair on 21 October 2020. He is also a non-executive director of ASX listed Xanadu Mines Limited. Mr Pearson was nominated as a director of PEK by Appian but is considered by the Board to be an independent director.
Mr Abdullah Mwinyi	Non-Executive Director	Mr Mwinyi is a member of the Tanzanian Parliament, having entered Parliament in 2007. He is a lawyer by profession, and in 2007 established Asyla Attorneys, where he specialises in corporate, commercial, labour and employment law. Mr Mwinyi has held roles as a Member of the East African Legislative Assembly (2007 – 2017), where he was Chair of the Legal, Privileges and Rules Committee and the Regional Affairs and Conflict Resolution Committee, and Chair of Swala Oil and Gas (Tanzania) plc.
Ms Giselle Collins	Non-Executive Director	Ms Collins has experience in audit, risk, governance, and compliance, and is Chair of the Company's audit and risk committee. She is currently Chair of Larrakia Darwin Hotel, a non-executive director of ASX listed Hotel Property Investments and Vinomofu (where she is Chair of both company's Audit & Risk Committees), a non-executive of Generation Life and a Trustee of the Royal Botanic Garden & Domain Trust, and a non-executive director of ASX listed Cooper Energy Limited.
Ms Rebecca Morgan	Non-Executive Director	Ms Morgan is a geologist and mining engineer with 19 years of international resources industry experience working with major mining houses, consulting groups, and junior explorers globally, including Africa. She has experience across all sectors of the resource industry, including rare earth market research, project due diligence, independent reporting, and mineral asset valuation. She is a non-executive of ASX listed Salt Lake Potash Limited. Ms Morgan was nominated as a director of PEK by Appian but is considered by the Board to be an independent director.
Mr Bardin Davis	Managing Director	Mr Davis has over 20 years of investment banking and corporate experience in the mining and energy sectors. Prior to joining the Company, he was the CFO of UPC/AC Renewables Australia and previously held Australian and regional senior investment banking positions with HSBC, Macquarie Capital and ABN AMRO. He has significant emerging markets experience and has worked on a broad range of international advisory, capital markets and financing transactions.

Source: Company

Financial information of PEK

- 5.16 The information in the following section provides a summary of the consolidated financial performance of PEK for the years ended 30 June 2020 ("FY20") and 30 June 2019 ("FY19"), extracted from the audited consolidated financial statements of the Company, and for the half year ended 31 December 2020 ("HY21"), extracted from the reviewed half year financial statements of the Company.
- 5.17 Ernst & Young, the auditor of PEK, issued an unqualified audit opinion on the financial statements for the years ended 30 June 2020 and 30 June 2019. Ernst & Young also issued an unqualified review conclusion on the financial statements for the half year ended 31 December 2020.
- 5.18 An emphasis of matter was drawn to material uncertainty in the FY19, FY20 and HY21 financial statements regarding the Company's ability to continue as a going concern. However, the auditors have not modified their opinions or conclusion.
- 5.19 We note that the Company reports its financial statements in Australian Dollars.

Financial performance

5.20 The following table sets out a summary of the consolidated financial performance of PEK for the half year ended 31 December 2020 and the years ended 30 June 2020 and 30 June 2019.

Table 6 PEK historical financial performance

A\$'000		Half-year ended 31-Dec-20 Reviewed	Year ended 30-Jun-20 Audited	Year ended 30-Jun-19 Audited
	Ref			
Interest income		6	37	98
R&D rebate received		102	110	-
Other income		-	63	1
Gain on re-measurement of financial liabilities	5.24	-	1,736	-
Gain on derecognition of associate	5.25	-	10,429	-
Total income		108	12,374	99
Employee benefits expenses		(141)	(705)	(902)
Share based payments expenses		(261)	(820)	(471)
Depreciation expenses		(9)	(17)	(6)
Borrowing costs	5.25	-	(298)	(1,163)
Administrative and other costs	5.26	(671)	(1,510)	(1,096)
Technical feasibility costs	5.27	(979)	(948)	(132)
Share of loss of associate	5.28	-	(354)	(924)
Loss on disposal of asset		(1)	-	-
Accretion of interest on royalty liability		(166)	-	-
Fair value adjustment to other assets measured at fair value through profit or loss		-	(70)	-
Total expenses		(2,227)	(4,722)	(4,695)
(Loss)/profit before income tax		(2,119)	7,653	(4,596)
Income tax expense		-	-	-
(Loss)/profit after income tax	5.22	(2,119)	7,653	(4,596)
<i>Other comprehensive income (loss), net of tax</i>				
Exchange differences on translation of foreign operations	5.23	(5,440)	41	(156)
Recycled to the profit & loss on derecognition of associate	5.25	-	(3,765)	-
Group's share of associates' other comprehensive income	5.28	-	503	1,684
Total comprehensive (loss)/profit for the period		(7,559)	4,432	(3,069)

Source: Company Financials

- 5.21 The financial report reflects the Company's main activities as investment in exploration and evaluation of mineral projects.
- 5.22 PEK recorded a profit after tax of A\$7.65 million in FY20 and losses after tax of A\$4.60 million and A\$2.12 million in FY19 and HY21, respectively.
- 5.23 During HY21, PEK recorded an exchange difference on translation of foreign operations, totalling A\$5.44 million.

- 5.24 As discussed in paragraph 3.3, ANRF provided a financing package of A\$5.19 million to PRNG, in exchange for the right to receive royalties in relation to the Ngualla Project. The A\$1.74 million gain on the re-measurement of the financial liability, recorded in FY20, relates to the movement in the assessed fair value of this royalty liability.
- 5.25 The A\$10.43 million gain on derecognition of associates in FY20 relates to the acquisition of the remaining 25% interest in PAM in November 2019, thereby resulting in all subsidiaries and the Ngualla Project being held on a 100% basis. As part of this transaction, previous loan facilities were settled resulting in a reduction in borrowing costs.
- 5.26 Administrative and other costs in FY20 consist of travel expense, professional fees, insurance and directors fees. Administrative and other costs in HY21 predominantly consist of professional and directors fees.
- 5.27 Technical feasibility costs relate to project expenses and exploration costs, being predominantly wages and salaries.
- 5.28 Following the acquisition of the remaining 25% interest in PAM in November 2019, PAM is now accounted for as a subsidiary of PEK, and no longer an associate.

Financial position

5.29 The table below sets out a summary of the financial position of PEK as at 31 December 2020 and 30 June 2020.

Figure 2 PEK historical financial position

A\$'000	Ref	31-Dec-20 Reviewed	30-Jun-20 Audited
Current assets			
Cash and cash equivalents	5.31	4,789	2,546
Trade and other receivables		53	32
Other financial assets		30	30
Prepayments		48	84
Total Current Assets		4,919	2,692
Non-current assets			
Property, plant and equipment		32	42
Exploration and evaluation costs	5.30	53,377	59,419
Investments		8	8
Other assets	5.32	219	219
Total Non-Current Assets		53,635	59,688
Total Assets		58,555	62,381
Current liabilities			
Trade and other payables		383	412
Provisions		11	243
Total Current Liabilities		394	655
Non-current liabilities			
Royalty Liability	5.33	5,413	5,857
Total Non-Current Liabilities		5,413	5,857
Total Liabilities		5,807	6,513
Net Assets		52,747	55,868
Equity			
Issued capital		104,070	99,893
Reserves		(1,562)	3,616
Accumulated losses		(49,761)	(47,641)
Total Equity	5.30	52,747	55,868

Source: Company Financials

5.30 At 31 December 2020, PEK had net assets of A\$52.75 million, predominantly relating to capitalised exploration and evaluation costs relating to the Ngualla Project.

5.31 Cash and cash equivalents of A\$4.79 million as at 31 December 2020 comprise of a A\$3.00 million NAB term deposit and cash held with various banks.

- 5.32 Other assets of A\$219k as at 31 December 2020 related to the option over a 250 year lease for the parcel of land in Teesside, which was subsequently exercised in May 2021.
- 5.33 The royalty liability of A\$5.41 million as at 31 December 2020 relates to the financing package provided by ANRF, as noted in paragraph 3.3. The 2% gross revenue royalty would continue to be payable over the life-of-mine/life-of-refinery after the royalty advance of US\$5.19 million has been repaid. It is noted that the recorded liability only relates to this Principal Sum adjusted for foreign exchange movements; as the Company had not been granted the SML at the reporting date the contingent liability of the Future Royalty Stream was not considered probable and therefore no additional liability had been brought to account.

Capital structure

- 5.34 At the date of this Report, PEK has 1,856,447,841 ordinary shares on issue. The top 20 shareholders of PEK as at 13 August 2021 are set out in the table below.

Table 7 PEK Top 20 shareholders

Rank	Name	Total Units	% Issued Share Capital
1	APPIAN PINNACLE HOLDCO LIMITED	435,878,376	23.48%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	54,396,963	2.93%
3	BNP PARIBAS NOMINEES PTY LTD	36,223,997	1.95%
4	DELPHI UNTERNEHMENSBERATUNG AKTIENGESELLSCHAFT	31,250,000	1.68%
5	J P MORGAN NOMINEES AUSTRALIA PTY LTD	29,535,229	1.59%
6	SPARTA AG	27,060,419	1.46%
7	CITICORP NOMINEES PTY LIMITED	25,307,372	1.36%
8	SAIL AHEAD PTY LTD	24,000,000	1.29%
9	ACN 161 604 315 PTY LTD	22,182,921	1.19%
10	UBS NOMINEES PTY LTD	21,822,710	1.18%
11	BUSHELL NOMINEES PTY LTD	19,614,068	1.06%
12	SAMBOLD PTY LTD	16,325,000	0.88%
13	NATIONAL NOMINEES LIMITED	16,120,451	0.87%
14	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	15,873,310	0.86%
15	CRX SECURITIES PTY LIMITED	15,437,500	0.83%
16	ASHABIA PTY LTD	15,250,000	0.82%
17	BPM CAPITAL LIMITED	15,211,368	0.82%
18	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	14,771,534	0.80%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	14,424,597	0.78%
20	PINNACLE SUPERANNUATION PTY LIMITED	14,000,000	0.75%
Total Top 20 Shareholding		864,685,815	46.58%
Others		991,762,026	53.42%
Total Issued Capital		1,856,447,841	100.0%

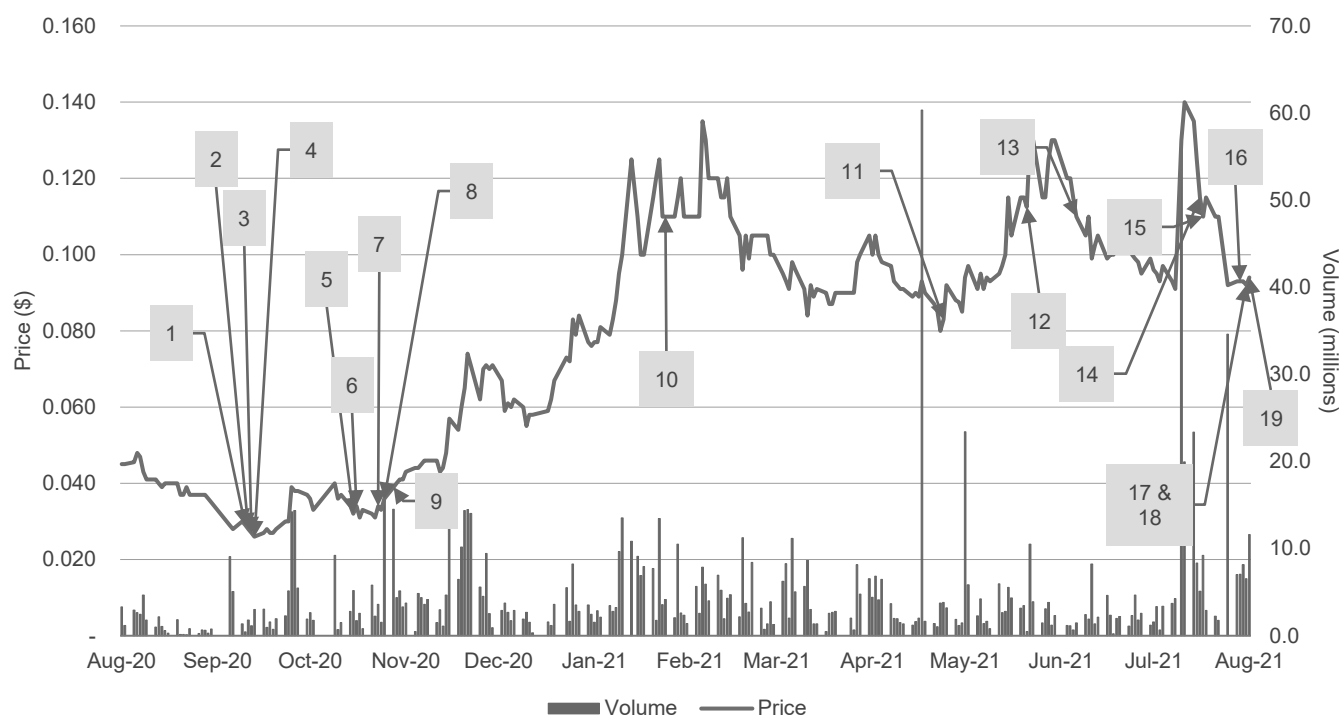
Source: Company

- 5.35 As at the date of this Report, PEK had 85,707,920 quoted share options outstanding with the top 20 option holders holding 83.19% of the options.
- 5.36 Furthermore, PEK had 20,165,000 unquoted options and 21,108,000 unquoted performance rights outstanding as at the date of this Report.

Share price performance

5.37 The figure below sets out a summary of PEK's closing share prices and traded volumes for the 12 months to 13 August 2021.

Figure 3 PEK daily closing share price and traded volumes



Source: S&P Capital IQ/ ASX

5.38 In the twelve-month period prior to the date of this report, PEK Shares were traded between \$0.026 and \$0.140 per share. The most significant trading day during this period was on 29 April 2021 when approximately 6.21% of PEK's total volume of shares were traded.

5.39 The most significant trading days that have been summarised in the chart above are described as follows:

No.	Date	Comment
1	14-Sep-20	Securities of PEK placed in trading halt at the request of the Company pending an announcement.
2	16-Sep-20	Continuation of trading halt, pending the release of an announcement regarding PEK Board composition.
3	17-Sep-20	PEK announced that the Chairman Mr Peter Muerer and Non-executive Director Mr Rob Sennitt were stepping down. Furthermore, the Board appointed Tony Pearson to act as interim Chairman.
4	18-Sep-20	PEK released its Annual Financial Report to shareholders for the year ended 30 June 2020. The report outlined that profit after tax was \$7.65 million (2019: loss of \$4.60 million) and held cash reserves of \$2.55 million at 30 June 2020.
5	15-Oct-20	Securities of PEK placed in trading halt at the request of the Company pending an announcement regarding capital raising.
6	21-Oct-20	PEK released an announcement appointing Tony Pearson as its Chairman of the Company. The Company also highlighted that it has successfully completed a \$3.5 million share placement to sophisticated and professional investors to maintain their financial position and cover general operating expenses.

7	28-Oct-20	PEK released its quarterly report for the period ended 30 September 2020 which included an update on the Placement and Share Purchase Plan offer to raise a total of \$4.0 million and a status update on the SML. The Company advised that the Placement to raise up to \$3.5 million was oversubscribed. Furthermore, the Company advised that a technical due diligence that was undertaken by the Ministry of Minerals Technical Committee was complete and that the Technical Report was awaiting submission to the Cabinet of the Tanzanian Government.
8	29-Oct-20	PEK released an invitation to eligible shareholders to participate in a Share Purchase Plan to raise up to \$500,000. The use of funds was intended to fund and maintain the financial position of the Company and to cover general operating expenses.
9	30-Oct-20	PEK released its Annual Report to shareholders which provided an update on the SML application process in Tanzania. The Company advised that the SML application continued to progress, and they were awaiting approval from the Tanzanian Government Cabinet.
10	29-Jan-21	PEK released its quarterly report for the period ended 31 December 2020 which included a status update on the SML. The Company advised that there has been strong engagement with all levels of the Tanzanian Government for the approval of the SML and that the Tanzanian Government advised them that the technical due diligence was completed, and no further information has been requested from the Company.
11	29-Apr-21	PEK released its quarterly report for the period ended 31 March 2021 which included an announcement that Teesside has been selected as one of eight new 'freeports' by the United Kingdom Government and a status update on the SML. The Company advised that the Teesside freeport will cover an area of approximately 4,500 acres, which will position it as the largest freeport area in the United Kingdom. The Company advised that they are still awaiting approval of the SML.
12	28-May-21	PEK announced that it had decided to exercise a GBP1.8m option for a long-term lease over a parcel of land located within the Wilton International Site. The site is located near the town of Middlesbrough in the Tees Valley, United Kingdom. The intention for the lease is to construct and develop the Teesside Refinery which is expected to cost approximately US\$160m and create around 130 long-term jobs.
13	11-Jun-21	PEK announced that it had executed the 250-year lease over the Teesside Rare Earth Refinery Site further to the announcement made on 28 May 2021.
14	21-Jul-21	Securities of PEK placed in trading halt at the request of the Company pending an announcement.
15	22-Jul-21	PEK announced that it had received approval from the Cabinet of Ministers of the Tanzanian Government for the SML over the Ngualla Rare Earth Project. The SML will provide the exclusive right to conduct mining operations at the Ngualla Project which covers an area of approximately 18.14km ² .
16	30-Jul-21	PEK released its quarterly activities report for the period ended 30 June 2021. The report highlighted that there had been a growth in the global electric vehicle sales and that the price of NdPr oxide has rebounded from a low in June 2021. Furthermore, PEK had a cash position at 30 June 2021 of \$2.68 million.
17	4-Aug-21	The ASX announced that the securities of PEK had been placed in trading halt at the request of the Company pending it releasing an announcement.
18	6-Aug-21	PEK announced that it had received commitments to raise A\$30 million (pre-transaction costs) through a two tranche share placement at \$0.09. The proceeds are intended to be used to progress the development of the Ngualla Project and the Teesside Refinery and for the repayment of the ANRF Royalty Facility (including interest) of around US\$10 million, resulting in the termination of a 2% life-of-mine gross royalty. In addition, a Share Purchase Plan to raise a further \$4.0 million was announced for existing shareholders to acquire PEK shares at the placement price.
19	13-Aug-21	PEK confirmed the issue of Tranche One placement shares, totalling 226,851,892 to raise \$20.4 million.

6. Industry Profile

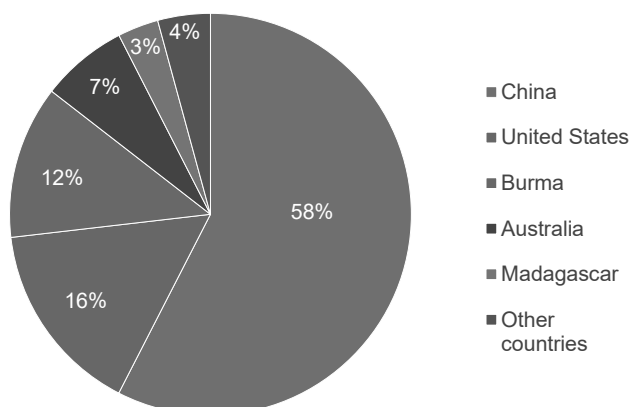
Rare Earths Industry

- 6.1 The major rare earth metals are yttrium, lanthanum, cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium and scandium.
- 6.2 They are found much more commonly than gold in the earth's crust, but they are difficult and expensive to mine because of low concentrations.
- 6.3 During 2020, demand for rare earth applications primarily comprised of magnet applications, that continued to improve, forming around 29% of demand volumes and catalyst applications, forming around 20% of sector demand.
- 6.4 The early parts of the COVID-19 pandemic saw most metals hitting yearly lows, however the second half of 2020 saw a sharp rebound in prices, and even surging prices in the fourth quarter of 2020.

Production

- 6.5 The US Geological Survey ("USGS") releases annual mineral commodity summaries.
- 6.6 According to USGS, China currently dominates the global Rare Earth Elements ("REEs") Industry Sector with approximately 58% of global REEs mine production. The figure below shows the rare earth production split between countries in 2020.

Figure 4 World Rare Earth Mine Production 2020



Source: U.S Geological Survey: Mineral Commodities Summaries January 2021

- 6.7 China also has the world's largest reserves of REEs, accounting for around 37% of global reserves in 2020.
- 6.8 REEs are used for numerous applications and end uses that collectively fall into one of eight categories as follows:
 - Battery Alloys;
 - Ceramics, pigments and glazes
 - Catalysts;
 - Glass polishing powders and additives;
 - Alloys and Metallurgy;

- Permanent magnets;
- Phosphors; and
- Other applications.

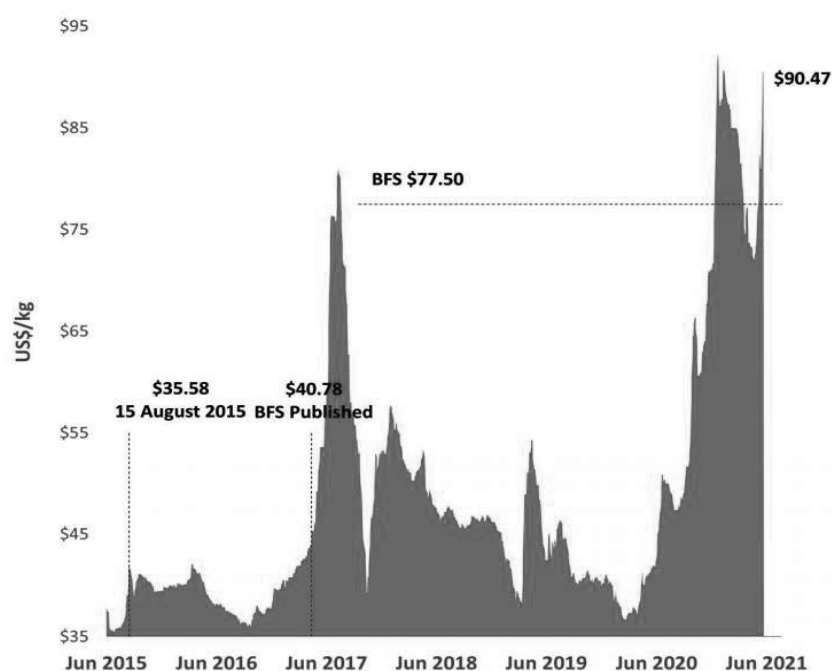
6.9 Exploration and production of REEs are largely driven by the following key external factors:

- Global supply and demand;
- Rare Earth prices;
- Global economic conditions; and
- Regulatory conditions.

Prices

6.10 The historical prices of NdPr between 2015 and 2021 are shown in the figure below:

Figure 5 Historical NdPr in US\$/kg.



Source: Peak Resources Corporate presentation released 26 July 2021.

- 6.11 The BFS in the figure above relates to the Bankable Feasibility Study ("BFS") that was completed on the Ngualla Rare Earth Project in April 2017.
- 6.12 The price of NdPr oxides has been highly volatile from 2015 to 2021 ranging from \$35 US/kg to around \$93 US/kg. The price of neodymium surged in the third quarter of 2017, largely driven by the environmental reforms made in China causing tightening supply from producers. The high was short lived as prices plummeted shortly after.
- 6.13 As shown in the table above, the COVID-19 pandemic had an initial negative effect on the price of NdPr but it has since increased dramatically. This increase has been driven by surges in demand for neodymium oxide, dysprosium oxide, didymium oxide, and terbium oxide.

Outlook

- 6.14 Despite the initial deterioration in price from the COVID-19 pandemic, NdPr and terbium prices have been trending higher. Industry participants anticipate an increase in demand, particularly for use in electric vehicle batteries.
- 6.15 The outlook for NdPr demand appears positive with the increasing use of REEs in personal electronics, electric vehicle motors and direct drive wind turbines. NdPr is a key element in permanent magnet motors used in the latter two applications; uptake of both markets is expected to grow globally with a corresponding increase in demand for NdPr.

7. Valuation approach

Basis of Valuation

- 7.1 The valuation of the Future Royalty Stream and the Consideration have been prepared on the basis of Fair Value, being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

Valuation methodologies

- 7.2 In assessing the Fair Value of the Consideration and Future Royalty Stream, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

- 7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

- 7.4 Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include:

- the quoted price for listed securities; and
- industry specific methods.

- 7.5 The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

- 7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the fair market value of a company than other market-based valuation methods because they may not account for company specific risks and factors.

Income based methods

- 7.7 Income based methods estimate value by calculating the net present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow; and
- capitalisation of future maintainable earnings.

- 7.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast

period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

- 7.9 The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

- 7.10 Asset based methodologies estimate the Fair Value of a company’s securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company’s assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Valuation of the Future Royalty Stream

- 7.14 In assessing the value of the Future Royalty Stream, we consider the DCF approach to be the most appropriate methodology.
- 7.15 The Company has prepared 26-year cash flow projections for the Ngualla Project mine plan based on the ore reserves for the Project that have been estimated in accordance with the JORC Code (the “Ngualla Model”), with the JORC resources, forecast production cash flows and technical assumptions reviewed by an independent specialist in September 2019.
- 7.16 We have been advised that there are no changes to the underlying assumptions in the Ngualla Model.
- 7.17 In our opinion the Ngualla Model provides a sufficiently reasonable basis to apply the DCF methodology.
- 7.18 We have updated the Ngualla Model for movements in economic and market assumptions, including commodity pricing.

Valuation of the Consideration

- 7.19 The Consideration is payable in cash immediately on completion of the Repayment Agreement, therefore it is not required to be fair valued.

8. Valuation of the Future Royalty Stream

- 8.1 As stated at paragraph 7.14 we have assessed the value of the Future Royalty Stream which would be received by ANRF under the Royalty Agreement based on the DCF of the projected royalty stream from the Ngualla Project.

DCF valuation

- 8.2 We have assessed the value of the Future Royalty Stream to be in the range of US\$24.9 million to US\$35.0 million, using the discounted cash flow method, as set out in the table below. This approach estimates the fair market value by discounting a project's future cash flows to their net present value:

Table 8 DCF Valuation - Summary

		Low	High
Discount rate (%)	.	15.1%	11.7%
NPV (US\$m)	.	24.9	35.0

Source: RSM Analysis

Ngualla Mine Plan

- 8.3 The Ngualla Project has a life of mine plan and definitive feasibility study which provide support for the technical and operational assumptions included in the Ngualla Model.
- 8.4 Management has prepared detailed cash flow projections for the extraction of resources from the Ngualla Project based on the current mine and operational plan. The cash flow projections for the Ngualla mine plan comprise projections of USD denominated real after-tax cash flows for an 18-month construction period, and 26 years of production, when current proven and probable reserves are expected to be depleted.
- 8.5 Management has provided an updated target construction commencement date of the end of Q3 in 2022 with commercial production to commence in Q3 2024.
- 8.6 We have been advised that there are no changes to the underlying technical assumptions in the Ngualla Model. We have however updated the model for movements in economic and market assumptions.
- 8.7 We have incorporated the above changes to arrive at the adjusted model ("Adjusted Model").

Future cash flows

- 8.8 We have performed an analysis of the cash flow projections in the Ngualla Model prepared by management based on the existing mine plan, including:
- analysing the royalty stream expense in the Ngualla Model, including limited procedures regarding the mathematical accuracy of the Ngualla Model (but have performed neither a detailed review nor an audit of the Ngualla Model);
 - reviewing the basis of the underlying assumptions such as commodity prices and economic factors;
 - conducting independent research on certain economic inputs such as commodity prices, inflation and the discount rate applicable to the future cash flows of the Ngualla Project;
 - holding discussions with Management regarding updates required to the assumptions; and
 - updating the Ngualla Model for movement in market assumptions and construction date.
- 8.9 The key assumptions adopted in the preparation of the cash flow projections, and the adjustments we have made, are discussed below.

- 8.10 We note that any prospective financial information is dependent upon the outcome of many assumptions, some of which are outside the control of directors and management and may be affected by unforeseen events. Assumptions relating to the prospective financial information can be reasonable at the time of their preparation but can change materially over a relatively short period of time. Accordingly, actual results may vary materially from the royalty stream forecast included in the Adjusted Model.

Economic assumptions

Inflation

- 8.11 Management has provided us with the Ngualla Model, which includes projected life of mine (“LOM”) cash flows in real terms for the Ngualla mine plan. Therefore, we have applied a forecast inflation rate to the income and costs in the Adjusted Model to convert them to nominal cash flows.
- 8.12 The Ngualla Project has operations in both Tanzania and the UK, and the Future Royalty Stream is calculated as a percentage of total project revenue. As such we have applied separate inflation rates to each facility based on the current trends and consensus forecasts for the relevant country.
- 8.13 We have adopted 3.5% per annum for the Tanzanian operations and 2% per annum for the UK operations.

Foreign exchange

- 8.14 All figures including the Future Royalty Stream and the underlying cashflows utilised in the Ngualla Model are denominated in USD.
- 8.15 Although PEK reports its financials in AUD, we have not converted the currency and the valuation is therefore stated in USD (consistent with the denomination of the Consideration).

Commodity prices

- 8.16 The Ngualla Project is projected to produce 15 different variant rare earth elements predominantly Neodymium (Nd), Praseodymium (Pr), Lanthanum (La), Cerium (Ce) and other rare earth oxides (REO) over its expected life. The Teesside plant will separate the concentrate into the following saleable products via solvent extraction:
- Lanthanum carbonate;
 - Cerium carbonate;
 - High purity NdPr oxide; and
 - Mixed mid/heavy rare earth carbonate.
- 8.17 NdPr sales account for over 92.24% of revenue in the Ngualla Model, Lanthanum (La) approximately 5.40% of revenue and Cerium (Ce) represents 1.46% of revenue, whilst the heavy rare earth oxides contribute less than 1% to forecast sales. Given the significance of the NdPr product and pricing, we have focused our review on this commodity.
- 8.18 In assessing the commodity price assumptions, we have had regard to publicly available industry estimates and commentary such as broker estimates and industry research.
- 8.19 PEK has adopted a long-term price for NdPr of US\$77.50/kg on a real basis. Based on our analysis, we have identified the following commodity price forecasts, on a real basis.

Table 9 Commodity Prices

US\$/kg					
	Date	2022e	2023e	2024e	Long Term
Broker					
Canaccord Genuity	20/04/2021	65.00	67.50	67.50	80.00
Morgan Stanley	18/04/2021	85.00	92.50	n/a	n/a
Cowen and Company	9/03/2021	90.00	90.00	95.00	95.00
Deutsche Bank	8/03/2021	85.00	90.00	n/a	n/a
Bank of America	26/02/2021	68.90	67.80	68.90	80.00
UBS Securities	26/02/2021	60.00	67.50	n/a	n/a
Ord Minnett	15/12/2020	68.00	68.00	68.00	n/a
Broker Average		74.56	77.61	74.85	85.00
Broker Median		68.90	68.00	68.45	80.00

Source: Publicly available information

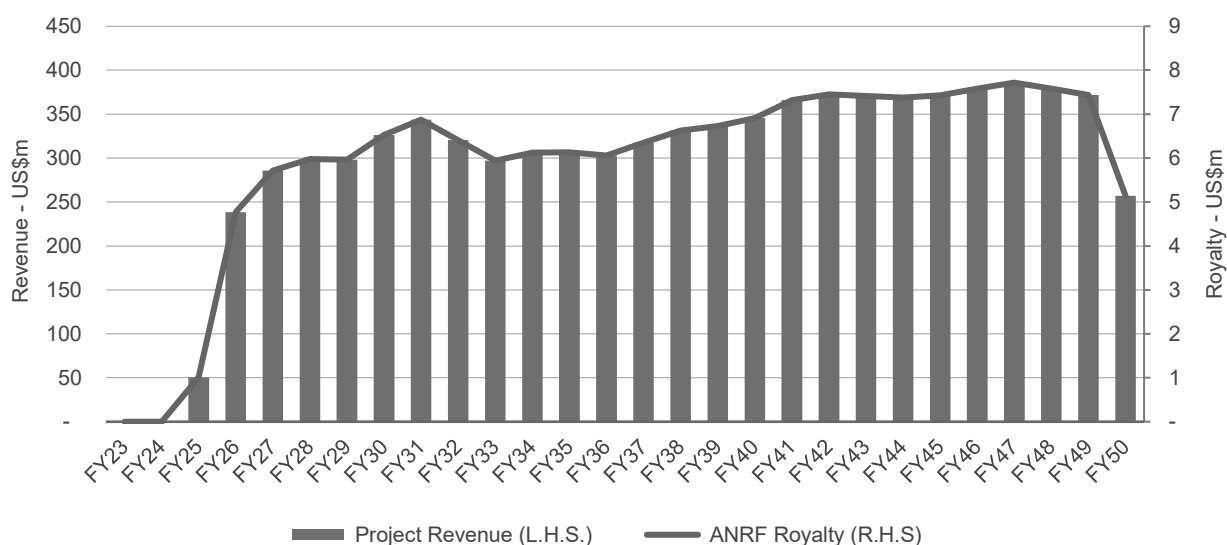
- 8.20 Based on our analysis, we have adopted the long term average forecast for NdPr of US\$85.00/kg, as shown in the table above. As the Project is not expected to commence production until Q3 of 2024, we consider the long term view to be the most appropriate position to adopt.
- 8.21 The forecast prices for La, Ce and the heavy REO in the Ngualla Model are US\$3.70/kg, US\$2.20/kg and US\$8.00/kg respectively. We have not amended the PEK forecast prices for other oxides in the Adjusted Model.
- 8.22 We have included inflation at 2.0% per annum to the commodity prices, as this relates to the country from which the end product will be sold by PEK, and we have no basis to assume that margins would be eroded or increased in the long term.

Revenue and Royalty Payment

- 8.23 Revenue is a function of the quantity and price of saleable products, which are discussed in the following section. Total revenue over the LOM plan is projected to be US\$8.33 billion.
- 8.24 As discussed in paragraph 3.3, a royalty payment to ANRF of 2.0% was to be levied upon the total project gross revenue (Site 1 and Site 2) of the Ngualla Project. The projected royalty amount totals US\$166.54 million over the life of the project.

8.25 The figure below shows the project revenue and the ANRF royalty over the LOM of the Ngualla Project.

Figure 6 Project Revenue and ANRF Royalty



Source: Adjusted Ngualla Model, RSM Analysis

8.26 With respect to the figure above, we note that the Ngualla Model assumes that mining operations at the Ngualla Project will commence after a 24-month construction period and will continue for 26 years. The mining schedule expects operations to commence in Q3 2024 and we have therefore assumed an operational start date of 1 April 2024 in the Adjusted Ngualla Model.

8.27 The Adjusted Ngualla Model assumes that the final product does not commence generating revenue, and therefore no royalty is paid to ANRF, until Q3 2025 as shown in the figure above.

Discount rate

8.28 The discount rate we have selected allows for both the time value of money and the risks attached to future cash flows of the Future Royalty Stream. The applicable discount rate is the likely rate of return an acquirer would require for the risks associated with the Future Royalty Stream.

8.29 We have utilised the weighted average cost of capital (“WACC”) as our discount rate. We have assessed the WACC to be in the range of 11.7% to 15.1%. Details of our assessment of the preferred range for the WACC are included in Appendix C.

Sensitivity analysis

8.30 We have performed a sensitivity analysis on the NdPr commodity price and the impact on the NPV of the Royalty Rights based on the likelihood of changes in price.

8.31 The table below summarises the impact on the NPV of the Royalty Rights, assuming a mid-point discount rate of 13.42%, and applying the sensitivity to the NdPr price.

Table 10 Sensitivity of Future Royalty Stream NPV

Sensitivity	NdPr US\$/kg	NPV US\$m
-10%	76.50	26.7
-5%	80.75	28.0
0%	85.00	29.3
5%	89.25	30.7
10%	93.50	32.0

Source: RSM analysis

- 8.32 As shown above, the sensitised net present value of the Future Royalty Stream in the Adjusted Model falls within our previously assessed range based on the Low and High discount rate assumption of US\$24.9 million and US\$35.0 million.
- 8.33 Shareholders should note that the NdPr commodity price is unlikely to move in isolation and there may be offsetting or compounding effects. The sensitivity performed does not cover the full range of possible outcomes and there is significant uncertainty involved with forecasting commodity prices.

Valuation summary and conclusion

- 8.34 A summary of our assessed values of the Future Royalty Stream, derived under the DCF methodology, is set out in the table below.

Table 11 Future Royalty Stream valuation summary

	Low	High
Discount rate (%)	15.1%	11.7%
Fair Value of the Future Royalty Stream (US\$m)	24.9	35.0

Source: RSM Analysis

- 8.35 In our opinion, the Fair Value of the Future Royalty Stream, based on the DCF of the Future Royalty Stream from the Ngualla Project, is in the range of US\$24.9 million and US\$35.0 million.

9. Valuation of the Consideration

- 9.1 The Consideration offered by PEK for the redemption of the Principal Sum and accrued interest is USD\$9.98 million, as shown in the table below:

Table 12 Breakdown of Consideration

US\$	
Principal Sum	5,191,201
Accrued interest	4,787,554
Consideration	9,978,755

Source: Company

- 9.2 The accrued interest amount has been agreed between the parties as arm's-length interest accrued at the rate of 11.47% on the Principal Sum between the date of the Royalty Agreement and 22 July 2021. This amount is in lieu of ANRF's right to receive future revenue under the Royalty Agreement.
- 9.3 We have adopted the agreed amount of US\$9.98 million as the value of the Consideration, being the cash payable to ANRF by PRNG on completion of the Repayment Agreement.

10. Is the Proposed Transaction Fair to Non-Associated Shareholders?

10.1 In order to assess whether the Proposed Transaction is fair to Shareholders, we have compared the value of the Future Royalty Stream, being the economic benefit which will be retained by PEK, to the value of the Consideration being paid.

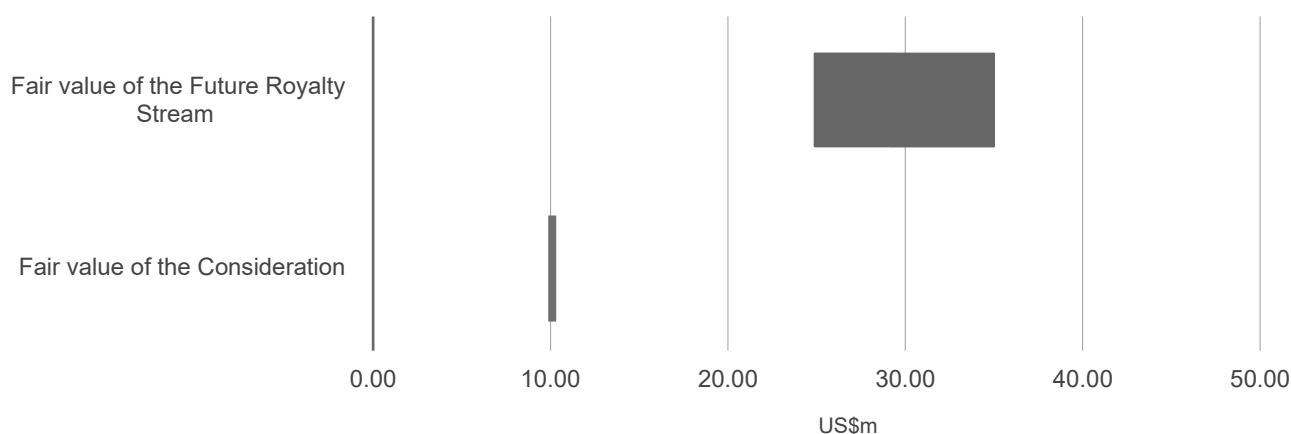
10.2 A comparison of the values is set out in the table and figure below.

Table 13 Assessed values of the Future Royalty Stream and the Consideration

Assessment of fairness US\$m	Ref.	Value Low	High
Fair value of the Future Royalty Stream	8.34	24.90	35.00
Fair value of the Consideration	9.2	9.98	9.98

Source: RSM analysis

Figure 7 The Future Royalty Stream and the Consideration valuation graphical representation



Source: RSM analysis

10.3 The figure above indicates that the range of values of the Future Royalty Stream is greater than the fair value of the Consideration.

10.4 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with ASX Listing Rule 10.1, we consider the Proposed Transaction **to be fair** to the Non-Associated Shareholders of PEK as the value of the Consideration payable is **less than** the range of values of the Future Royalty Stream (being the financial benefit which would be retained by the Company).

11. Is the Proposed Transaction Reasonable to Non-Associated Shareholders?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of PEK if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of PEK if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction does not proceed then:

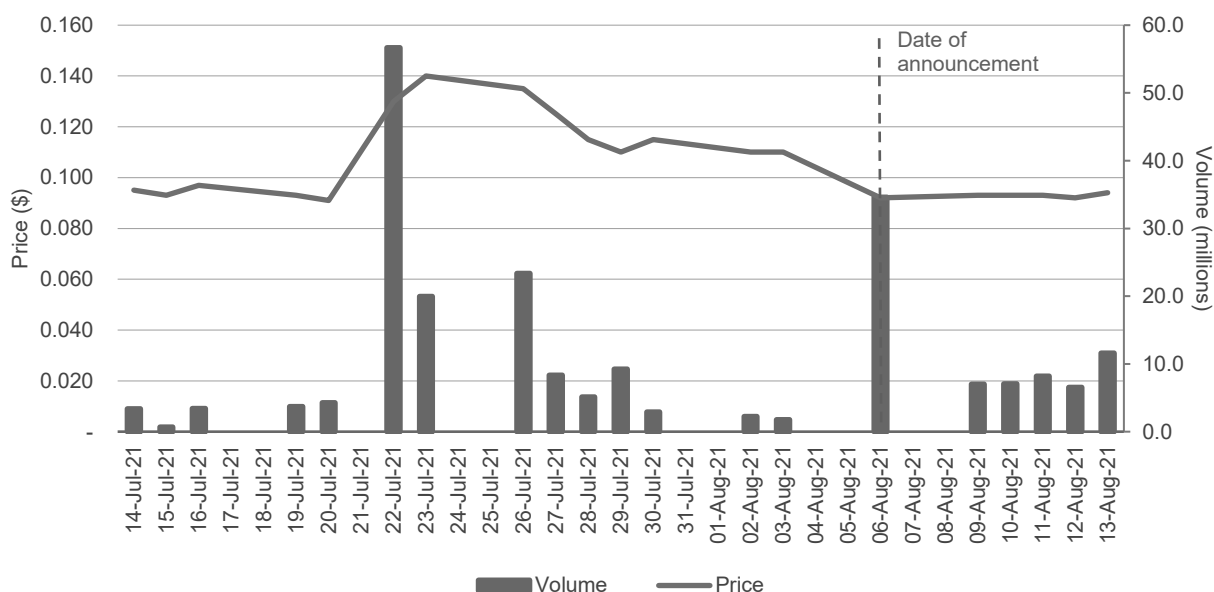
- the Royalty Agreement would remain in force, meaning the Company would continue to be liable to pay the 2% gross revenue royalty to ANRF for the life of the Ngualla Project;
- the existing security arrangements over the assets and undertakings of PRNG (which holds the Ngualla Project licences) would remain in place, which may limit the ability of the Company to fulfil its commitment to the Tanzanian Government to establish a new company to hold the SML proposed to be granted for the Ngualla Project; and
- the Company would therefore be required to enter into alternative arrangements with Appian, ANRF and the Tanzanian Government, in order to seek to vary the existing security arrangements to permit the establishment of a new company to hold the SML. There is no guarantee that PEK would be able to reach an alternative agreement acceptable to all parties.

Trading in PEK shares upon announcement of the Proposed Transaction

11.3 We have reviewed movements in the PEK Share price over the month to 13 August 2021, to assess any impact after announcement of the Proposed Transaction on 6 August 2021.

11.4 A graph of the closing share price prior to and post the announcement is shown below:

Table 14 PEK Share price post the Proposed Transaction announcement



Source: S&P CapitalIQ

11.5 The closing share price increased after the announcement on 22 July 2021 of approval being received from the Tanzanian Government to grant the SML, before trending downwards to the previous level. Since the announcement of the Repayment Agreement and Placement, there has been no significant movement.

11.6 The PEK share price closed at A\$0.092 on the day of the announcement, with 34.6 million shares traded.

Advantages and disadvantages

11.7 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Table 15 Advantages of the Proposed Transaction

Advantage	Details
The Proposed Transaction is fair	The Proposed Transaction is fair to the Non-Associated Shareholders.
Retain economic benefit for Shareholders of the Future Royalty Stream	The total royalty amount payable to ANRF over the life of the project is projected to be around US\$166.54 million. If the Proposed Transaction occurs, PEK no longer has a liability to pay these royalty rights to ANRF and would retain the future royalty stream that would otherwise have been payable to ANRF in the absence of the Proposed Transaction.
Release of Royalty Securities	Upon completion of the Proposed Transaction, ANRF will discharge and release its right, title and interest in the assets and undertakings of PRNG which currently holds the Ngualla Project licences.
Ability to fulfil commitment to the Tanzanian Government	The Proposed Transaction would permit the Company to fulfil its commitment to the Tanzanian Government to transfer the SML into a newly registered Tanzanian company, owned 16% by the Tanzanian Government and 84% by PEK., being a key milestone in the development of the Ngualla Project.
Eliminates risk of third party involvement	The Proposed Transaction will remove the risk of the Royalty Agreement being acquired by a third party, which may frustrate the development of the Ngualla Project.
May enhance project funding position	By enhancing the Shareholders' exposure to the Ngualla Project, the Proposed Transaction may better position the Company to secure long-term funding for the development of the Ngualla Project.

Disadvantages of approving the Proposed Transaction

Table 16 Disadvantages of the Proposed Transaction

Disadvantage	Details
Use of cash reserves	The Repayment Agreement requires the immediate payment of US\$9.98 million which would reduce the Company's available cash reserves. However, the recently completed share placement has provided sufficient funding to pay the proposed Consideration.

- 11.8 We have also considered the implied interest rate on the Principal Sum of 11.47% and compared it to rates on unsecured corporate debentures offered around the same time the Royalty Agreement was entered into with 6-years maturity. Based on this review, the accrued interest portion of the Consideration does not appear unreasonable.

Alternative proposal

- 11.9 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders a greater benefit than the Proposed Transaction.

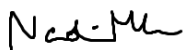
Conclusion on Reasonableness

- 11.10 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more favourable than the position if it is not approved. Therefore, in the absence of any material new developments or other relevant information, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of PEK.
- 11.11 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

N MARKE



Director

J AUDCENT



Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Ms Nadine Marke and Mr Justin Audcent are directors of RSM Corporate Australia Pty Ltd. Both Ms Marke and Mr Audcent are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Peak Resources Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Nadine Marke, Justin Audcent, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$25,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless if Peak Resources Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for Peak Resources Limited for the years ended 30 June 2019 and 30 June 2020;
- Reviewed financial statements for Peak Resources Limited for the six months ended 31 December 2020;
- Management prepared consolidated financials for the period ended 30 June 2020 and 31 December 2020;
- Top Holders Shares and Options Listings at 13 August 2021;
- Executed Royalty Repayment and Release Agreement, dated 5 August 2021;
- Executed Royalty Agreement, dated 27 September 2014;
- The Company prepared 26-year cash flow projections for the Ngualla Project mine plan;
- ASX announcements of Peak Resources Limited;
- S&P Capital IQ database; and
- Discussions with Company Secretary/Chief Financial Officer and Group Accountant.

C. DISCOUNT RATE ASSESSMENT

When assessing an appropriate discount rate to use in a discounted cash flow valuation, due regard must be given to the rates of return available in the marketplace, the degree of risk attached to the business, shares or project and the required rate of return.

Businesses and projects are normally funded by a mix of debt and equity. The Weighted Average Cost of Capital (“WACC”) is a widely used and accepted basis to calculate the “representative” rate of returns required by debt and equity investors. We have applied the WACC methodology to determine an appropriate discount rate to be used in assessing the fair value of the Ngualla Project Royalty Rights paid to Appian.

The Capital Asset Pricing Mode (“CAPM”) is the most frequently used model in determining the cost of equity of an investment or project and the required rate of return for debt funding is determined having regard to current borrowing costs and prevailing credit ratings. The cost of equity and cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

WACC

The generally accepted WACC formula is the post-tax WACC as shown below:

$$WACC = \left[R_e \times \frac{E}{V} \right] + \left[R_d \times (1 - t_c) \times \frac{D}{V} \right]$$

Where:

R_e	=	Expected equity investment return or cost of equity
R_d	=	Interest rate on debt (pre-tax)
t	=	Corporate tax rate
E	=	Market value of equity
D	=	Market value of debt
V	=	Market value of debt plus equity

CAPM

The CAPM is based on the theory that the prudent investor will price investments so that the expected return is equal to the risk-free rate of return plus a premium for risk. CAPM assumes that there is a positive relationship between risk and return; that is, investors are risk averse and therefore demand higher returns for accepting higher levels of risk.

The CAPM calculates the cost of equity through the following formula:

$$R_e = R_f + \beta(R_m - R_f) + \alpha$$

Where:

R_e	=	Required return on equity.
R_f	=	Risk free rate of return.
$E(R_m)$	=	Expected return on the market.
$E(R_m) - R_f$	=	Market risk premium
β	=	Beta
α	=	Specific company risk premium

We have considered each component of the CAPM below.

Risk free rate - R_f

The risk free rate compensates investors for the time value of money. We have assumed a risk-free rate of 2.61% being the average yield on the 10-Year Australian Government Bond over the ten year period to 31 July 2021.

We have used the 10-year bond rate as this is typically used as a proxy for the long-term risk-free rate. Given the current volatility in the global economy and the historically low bond environment, we have observed the yield over a 10-year period. We have sourced the 10-year Australian Government Bond yield rates from the Reserve Bank of Australia.

Market Risk Premium – $E(R_m) - R_f$

Market risk premium represents the level of return investors require over and above the risk-free rate in order to compensate them for the non-diversifiable risks associated with an investment in a market portfolio. Strictly speaking, the market risk premium is equal to the expected return from holding shares over and above the return from holding risk-free government securities.

Various empirical studies undertaken show that historical market risk premiums vary across markets; the Australian market is generally in line with the overall range of other developed countries but is slightly higher than the world average.

Having regard to this information, we have assumed a market risk premium of between 6% and 7% in our determination of the discount rate.

Beta - β

The beta coefficient measures the systematic risk of the company compared to the market as a whole. A beta of 1 indicates that the company's risk is comparable to that of the market.

The choice of a beta requires judgement and necessarily involves subjective assessment as observations of beta in comparable companies may be subject measurement issues and other variations. Accordingly, depending upon circumstance, a sector average, or a basket of comparable companies may present a more reliable beta, rather than relying on a single comparable company.

Beta can be expressed as an equity beta (which includes the effect of gearing on equity returns) or as an asset beta (where the impact of gearing is removed). The asset beta will be lower than the equity beta for any given investments, with the difference dependent upon the level of gearing in the capital structure.

The selection of an appropriate beta involves a degree of professional judgement, particularly where the performance drivers of the company being valued are not directly aligned with the most comparable listed companies.

The comparable company data included in the table below illustrates the observed beta coefficients for public listed companies we consider most comparable to PEK.

In assessing companies comparable to PEK, we have considered listed public companies globally with a principal focus in the development of rare earth metals.

The ungeared equity betas for the companies selected ranged from a low of 0.46 to a high of 2.27, with an average of 1.23. We also note currently the only Australian rare earth miner has an unlevered beta of 0.96.

Comparable Company Betas	Market Value of Net Debt \$m	Market Value of Equity \$m	Net Debt / Equity	Notional Tax Rate	(A) Levered Beta	(B) Unlevered Beta
Peak Resources Limited	(4.82)	179.22	(2.7%)	30.0%	2.15	
American Rare Earths Limited	(2.58)	28.92	(8.9%)	30.0%	1.38	1.38
Arafura Resources Limited	(16.07)	168.30	(9.6%)	30.0%	1.35	1.35
Enova Mining Limited	0.05	7.45	0.7%	30.0%	0.94	0.94
Greenland Minerals Limited	(35.96)	123.66	(29.1%)	30.0%	1.40	1.40
Hastings Technology Metals Limited	(19.75)	373.77	(5.3%)	30.0%	1.21	1.21
Ionic Rare Earths Limited	(2.25)	98.38	(2.3%)	30.0%	0.46	0.46
Korab Resources Limited	2.33	8.98	25.9%	30.0%	1.56	1.32
Lindian Resources Limited	(1.09)	20.94	(5.2%)	30.0%	2.27	2.27
Lynas Rare Earths Limited	(346.04)	6,658.97	(5.2%)	30.0%	0.96	0.96
Northern Minerals Limited	(10.07)	198.69	(5.1%)	30.0%	0.89	0.89
Vital Metals Limited	(6.05)	199.40	(3.0%)	30.0%	1.46	1.46
Min			(20.6%)		0.46	0.46
Mean			(1.5%)		1.26	1.23
Median			(5.5%)		1.35	1.21
Max			41.2%		2.27	2.27

Source: S&P Capital IQ and RSM Analysis

We have therefore determined an unlevered beta range of between 1.15 and 1.30.

The comparable rare earth mineral and lithium producers above show a broad range in debt to equity structures, with many of them having no or little debt. We have formed an assessment of PEK's forecast capital structure based on our analysis of a basket of comparable producers that have funded the development of a project.

Based on this analysis, and discussions with PEK management surrounding finance options, we have assessed the target debt to equity ratio of 60% as an appropriate funding structure for PEK when the development of the Ngualla Project commences.

We have therefore re-levered the beta at our preferred debt / EV ratio for the Ngualla Project, resulting in a levered beta of between 2.49 and 2.81.

We provide descriptions of the comparable companies in Appendix D.

Tax Rate

We have adopted an average effective tax rate of 22.55% for PEK based upon the projected tax payable on the Ngualla Project cash flows across both jurisdictions, being Tanzania and the United Kingdom.

Company specific risk premium

A specific company risk premium of between 2.5% and 5% has been added for PEK to reflect the execution risks of developing the Ngualla Project in Tanzania, whilst most of the comparable companies have development projects in Australia. We have assessed this premium with consideration of the country risk premium calculated by Professor Damodaran of the NYU Stern School of Business, which is stated to be 5.33% for Tanzania in January 2021.

We have adopted a risk to encompass the Project as a whole as the Future Royalty Stream is dependent on total revenue generated from the Project, and therefore the drivers of revenue performance are also the drivers of the Future Royalty Stream.

Cost of debt

We have estimated a pre-tax cost of debt for the Ngualla Project of 8.02% to 9.02%, comprising an 800 to 900 basis point premium to the three-month Bank Bill Swap Rate (BBSW). This has been estimated after considering our selected level of gearing for the Project and the terms of debt seen for comparable companies at similar stages of development.

WACC summary

We set out the detailed calculation of the WACC in the table below.

WACC	Min	Max
Beta:		
Unlevered Beta	1.150	1.300
Marginal Tax Rate	22.55%	22.55%
Target Capital Structure:		
Debt	60.00%	60.00%
Equity	40.00%	40.00%
D/E	150.00%	150.00%
Levered Beta	2.486	2.810
Cost of Equity		
Risk Free Rate	2.61%	2.61%
Market Risk Premium	6.00%	7.00%
Alpha (specific premium)	2.50%	5.00%
Cost of Equity	20.0%	27.3%
Cost of debt:		
Risk Free Rate – BBSW 3 month rate	0.02%	0.02%
Margin	8.00%	9.00%
Pre-tax cost of Debt	8.02%	9.02%
Post-Tax cost of Debt	6.21%	6.99%
Calculated WACC	11.7%	15.1%

Source: S&P Capital IQ and RSM analysis

Based on the assumptions set out above, we have assessed the post-tax, nominal WACC to be in the range of 11.7% to 15.1%.

D. COMPARABLE COMPANIES

Company (ticker)	Company Description
American Rare Earths Limited (ASX:ARR)	American Rare Earths Limited engages in the exploration and development of mineral resources in Australia and the United States. The company explores for thorium and uranium; base and precious metals; industrial minerals; copper; and cobalt. American Rare Earths Limited primarily focuses on its 100% owned La Paz Rare Earth Project covering an area of approximately 890 hectares comprising 107 unpatented lode mining claims located in Arizona, the United States. The company was formerly known as Broken Hill Prospecting Limited and changed its name to American Rare Earths Limited in July 2020. American Rare Earths Limited was incorporated in 1986 and is based in Sydney, Australia.
Arafura Resources Limited (ASX:ARU)	Arafura Resources Limited explores and develops mineral properties in Australia. The company explores for rare earth deposits, as well as tungsten, copper, and vanadium deposits. Its principal project is the Nolans project, a rare earths-phosphate-uranium-thorium deposit that supplies neodymium and praseodymium products located in Northern Territory, Australia. The company also engages in mining and associated infrastructure, and social and environmental feasibility evaluations. Arafura Resources Limited was incorporated in 1997 and is based in Perth, Australia.
Enova Mining Limited (ASX:ENV)	Enova Mining Limited engages in the exploration of rare earth elements (REE) in Australia. It primarily focuses on the Charley Creek REE project, which covers 116.6 square kilometers located in the Northern Territory. The company also holds interest in Cockroach Dam, Hamilton Downs, Cloughs Dam, Hamilton Homestead, and Mulga Bore. The company was formerly known as Crossland Strategic Metals Limited and changed its name to Enova Mining Limited in May 2020. The company was incorporated in 1999 and is based in Melbourne, Australia. Enova Mining Limited is a subsidiary of EMMCO Mining Sdn. Bhd.
Greenland Minerals Limited (ASX:GGG)	Greenland Minerals Limited acquires, explores, develops, and commercializes mineral properties in Australia. The company primarily explores for rare earth elements, uranium, zinc, and fluor spar. It owns a 100% interest in the Kvanefjeld project located in southern Greenland. The company was formerly known as Greenland Minerals and Energy Limited and changed its name to Greenland Minerals Limited in June 2018. Greenland Minerals Limited is headquartered in Subiaco, Australia.
Hastings Technology Metals Limited (ASX:HAS)	Hastings Technology Metals Limited engages in the exploration and development of rare earth deposits in Australia. It primarily holds interest in the Yangibana rare earths project with package covering an area of approximately 650 square kilometers located in the Gascoyne region of Western Australia; and the Brockman heavy rare earths project that comprises 10 prospecting licenses located in the East Kimberley region of Western Australia. The company was formerly known as Hastings Rare Metals Limited and changed its name to Hastings Technology Metals Limited in October 2015. Hastings Technology Metals Limited was incorporated in 2006 and is based in Perth, Australia.
Ionic Rare Earths Limited (ASX:IXR)	Ionic Rare Earths Limited operates as a mineral exploration company. The company's flagship project is the Makuutu rare earths project that includes five licenses covering an area of 242 km ² located in the eastern Uganda. The company was incorporated in 1998 and is based in West Perth, Australia.
Korab Resources Limited (ASX:KOR)	Korab Resources Limited engages in the exploration and evaluation of mineral properties. The company explores for gold, silver, phosphate rock, magnesium, tin, iron ore, copper, nickel, cobalt, lead, zinc, lithium, and rare earth metals. Its projects include the Bobrikovo project located in Ukraine; the Winchester magnesium carbonate and the Geolsec Phosphate projects located in Darwin, Northern Territory; the Batchelor and the Green Alligator projects located in Batchelor, Northern Territory; and the Mt. Elephant project located in Western Australia. The company was founded in 1998 and is based in West Perth, Australia.
Lindian Resources Limited (ASX:LIN)	Lindian Resources Limited, together with its subsidiaries, engages in the exploration of mineral properties in Africa. It primarily explores for gold, bauxite, and rare earths mineral ores. The company focuses on the Gaoual Bauxite project located in the north west of Guinea, West Africa. Lindian Resources Limited is based in Perth, Australia.
Lynas Rare Earths Limited (ASX:LYC)	Lynas Rare Earths Limited, together with its subsidiaries, engages in the exploration, development, mining, extraction, and processing of rare earth minerals primarily in Australia and Malaysia. The company holds an interest in the Mount Weld project in Western Australia. Its products include neodymium and praseodymium, lanthanum, cerium, and mixed heavy rare earth materials. The company also develops and operates advanced material processing and concentration plants; and offers corporate services. The company was formerly known as Lynas Corporation Limited and changed its name to Lynas Corporation Limited in December 2020. Lynas Rare Earths Limited was incorporated in 1983 and is based in East Perth, Australia.

**Northern Minerals
Limited
(ASX:NTU)**

Northern Minerals Limited engages in the exploration and evaluation of rare earth element mineral interests in Australia. The company explores for dysprosium and other heavy rare earths. Its flagship project is the 100% owned Browns Range project located to the south east of Halls Creek in northern Western Australia. The company was formerly known as Northern Uranium Limited and changed its name to Northern Minerals Limited in February 2011. Northern Minerals Limited was incorporated in 2006 and is based in West Perth, Australia.

**Vital Metals
Limited
(ASX:VML)**

Vital Metals Limited explores for and develops rare earths, technology metals, and gold projects in Canada, Africa, and Germany. It holds 100% interest in the Nechalacho rare earths project located at Nechalacho in the Northwest Territories of Canada. The company was incorporated in 2004 and is headquartered in Sydney, Australia.

E. GLOSSARY OF TERMS

Term or Abbreviation	Definition
A\$	Australian dollar
Act	Corporations Act 2001 (Cth)
Adjusted Model	Ngualla Model, as adjusted by RSM
AFCA	Australian Financial Complaints Authority
ANRF	ANRF Royalty Company Limited
ANRF Royalty Facility	Financing package provided by ANRF in exchange for grant of a 2% gross revenue royalty over the Ngualla Project
APES	Accounting Professional & Ethical Standards Board
Appian	Appian Pinnacle Holdco Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX as amended from time to time
BFS	Bankable Feasibility Study
CAPM	Capital Asset Pricing Model
Company	Peak Resources Limited
Consideration	US\$9,978,755 consisting of Principal Sum and accrued interest
Control basis	As assessment of the Fair Value of an equity interest which assumes the holder or holders have control of the entity in which the equity is held
DCF	Discounted Cash Flow
Directors	Directors of the Company
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
Future Royalty Stream	The future 2% gross revenue royalty stream from the Ngualla Project
FYXX	Financial year ended 30 June 20XX
HYXX	The half year ended 31 December 20XX
IER	This Independent Expert Report
JORC	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
LOM	Life of Mine
Ngualla Project	Ngualla Rare Earth Project

Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
PAM	Peak African Minerals
PEK	Peak Resources Limited
Principal Sum	US\$5.19 million funding provided by ANRF
PRNG	PR NG Minerals Limited
Proposed Transaction	The termination of the Royalty Agreement and the granted 2% gross revenue royalty of the Ngualla Project, in exchange for redemption of the Principal Sum and accrued interest totalling US\$9,987,755
Report	This Independent Expert's Report prepared by RSM dated 16 August 2021
Repayment Agreement	Royalty Repayment and Release Agreement between PRNG, Appian and ANRF (an associated company of Appian)
Resolutions	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
Royalty Agreement	A royalty agreement between PRNG Minerals Limited and ANFR Royalty Company
Royalty Securities	Fixed and floating charge over the assets and undertakings of PRNG held as security for the ANRF Royalty Facility
Royalty Transaction	Termination of the Royalty Agreement and 2% gross revenue royalty
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Shareholder	A holder of a PEK Share
SML	Special Mining Licence
US\$	United States dollar
USGS	United States Geological Survey
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015)
VWAP	Volume weighted average share price
WACC	Weighted Average Cost of Capital

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AUDIT | TAX | CONSULTING

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rsm.com.au

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LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Peak Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: 1300 554 474

Overseas: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Peak Resources Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:00am (WST) on Tuesday, 28 September 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a hybrid event. You can participate by attending in person at **QT Hotel, 133 Murray Street, Perth, Western Australia** and virtually via the live online platform at **<https://agmlive.link/PEK21>** (refer to details in the Virtual General Meeting Online Guide).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

For Against Abstain*

1 Ratification of Tranche 1 Share Issue

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

2 Approval of Tranche 2 Share Issue

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

3 Approval for Issue of Share Purchase Plan Shares

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

4 Approval to Complete Royalty Transaction

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

PEK PRX2101N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (WST) on Sunday, 26 September 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Peak Resources Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions



COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible.
Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

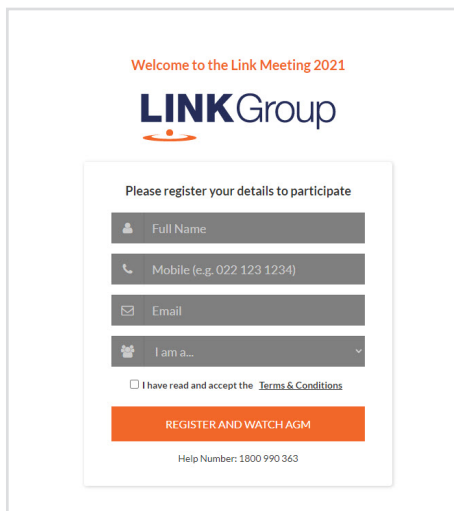
- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up

To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Virtual Meeting Online Guide



Welcome to the Link Meeting 2021

LINKGroup

Please register your details to participate

Full Name

Mobile (e.g. 022 123 1234)

Email

I am a...

☐ I have read and accept the [Terms & Conditions](#)

REGISTER AND WATCH AGM

Help Number: 1800 990 363

Step 1

Open your web browser and go to <https://agmlive.link/PEK21>

Step 2

Log in to the portal using your full name, mobile number, email address, and participant type.

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

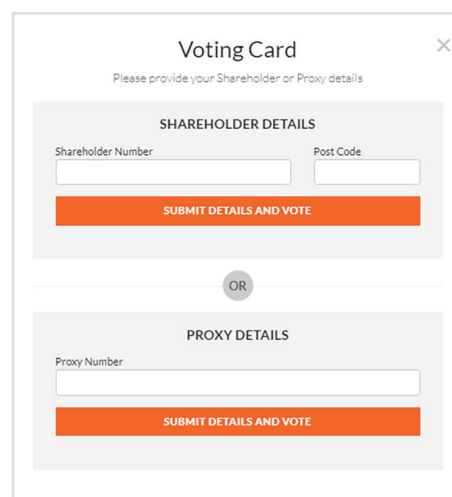
- On the left – a live audio webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.



Voting Card

Please provide your Shareholder or Proxy details

SHAREHOLDER DETAILS

Shareholder Number Post Code

SUBMIT DETAILS AND VOTE

OR

PROXY DETAILS

Proxy Number

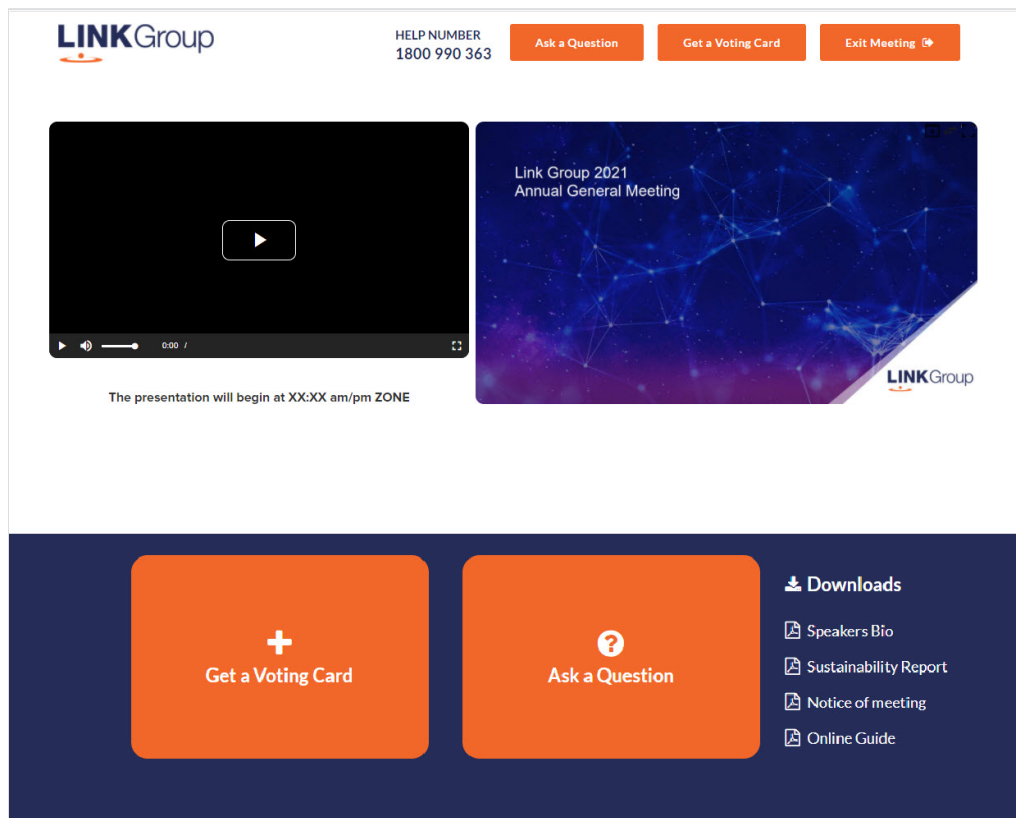
SUBMIT DETAILS AND VOTE

If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.



ABC COMPANY PTY LTD
X123456789

Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the Unitholder's voting instructions.

Full Vote
Partial Vote

Resolution 2B
For
Against
Abstain

RE-ELECTION OF MRL ABC AS A DIRECTOR

Resolution 2C
For
Against
Abstain

RE-ELECTION OF MS XYZ AS A DIRECTOR

Resolution 3
For
Against
Abstain

INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT

Resolution 4
For
Against
Abstain

ADOPTION OF REMUNERATION REPORT

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

Once voting has been closed all submitted voting cards cannot be changed.

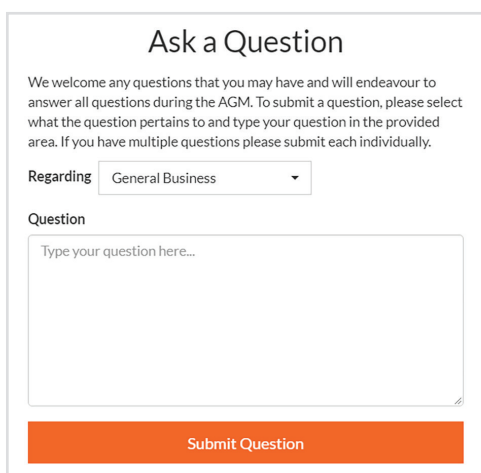
Virtual Meeting Online Guide *continued*

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

If you have yet to obtain a voting card, you will prompted to enter your securityholder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The '**Ask a Question**' box will then pop up with two sections for completion.



The 'Ask a Question' form is titled 'Ask a Question' and includes a welcome message: 'We welcome any questions that you may have and will endeavour to answer all questions during the AGM. To submit a question, please select what the question pertains to and type your question in the provided area. If you have multiple questions please submit each individually.' Below this, there is a 'Regarding' section with a dropdown menu currently set to 'General Business'. Underneath is a 'Question' section with a large text area containing the placeholder 'Type your question here...'. At the bottom of the form is an orange button labeled 'Submit Question'.

In the '**Regarding**' section click on the drop down arrow and select the category/resolution for your question.

Click in the '**Question**' section and type your question and click on 'Submit'.

A '**View Questions**' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.



The 'View Questions' box is titled 'View Questions' and includes a message: 'Your submitted questions can be viewed below. We will endeavour to answer all questions during the AGM.' Below this, there is a question card for 'When will the next AGM be held?'. The card indicates it was 'Asked regarding General Business', 'Asked at: 7:18AM', and 'Updated: 7:18AM'. There is a small speech bubble icon with a plus sign in the top right corner of the card. Below the card is a grey button labeled 'OPEN COMMENTS'. At the bottom of the box is an orange button labeled 'SUBMIT ANOTHER QUESTION'.

3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

5. Phone Participation

What you will need

- a) Land line or mobile phone
- b) The name of your holding/s
- c) To obtain your unique PIN, please contact Link Market Services on +61 1800 990 363.

Joining the Meeting via Phone

Step 1

From your land line or mobile device, call: +61 1800 941 125

Step 2

You will be greeted with a welcome message and provided instructions on how to participate in the Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be greeted by a moderator and asked to provide your PIN. This will verify you as a securityholder and allow you to ask a question.

Step 3

Once the moderator has verified your details you will be placed into a waiting room and will hear music playing.

Note, If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to vote or ask a question.

Step 4

At the commencement of the Meeting, you will be admitted to the Meeting where you will be able to listen to proceedings.

Asking a Question

Step 1

When the Chairman calls for questions on each resolution, you will be asked to **press *1** on your keypad should you wish to raise your hand to ask a question.

Step 2

The moderator will ask you what item of business your question relates to? Let the moderator know if your question relates to General Business or the Resolution number.

You will also be asked if you have any additional questions.

Step 3

When it is your time to ask your question, the moderator will introduce you to the meeting, your line will be unmuted and you can then start speaking. Note, if at any time you no longer wish to ask your question, you can lower your hand by **pressing *2** on your key pad. If you also joined the Meeting online, we ask that you mute your laptop or desktop device while you ask your question.

Step 4

Your line will be muted once your question has been answered.

Contact us

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