



Half Year Report

31 December 2021

COMPANY DIRECTORY

Non-Executive Chair

Tony Pearson

Managing Director

Bardin Davis

Non-Executive Directors

Abdullah Mwinyi

Giselle Collins

Giles Stapleton

Company Secretary

Philip Rundell

Principal and Registered Office

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Securities Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Code: PEK

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Director's Report

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2021. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Tony Pearson	Non-Executive Chair
Bardin Davis	Managing Director
Abdullah Mwinyi	Non-Executive Director
Giselle Collins	Non-Executive Director
Rebecca Morgan	Non-Executive Director (resigned 13 February 2022)
Giles Stapleton	Non-Executive Director (appointed 29 November 2021)

Review of Operations

Peak Rare Earths Limited (the "Company" or "Peak") continues to progress the development and commercialisation of its world-class strategic assets; the Ngualla Rare Earth Project ("Ngualla Project") in Tanzania and the Teesside Rare Earth Refinery ("Teesside Refinery") in the United Kingdom (together the Integrated Ngualla-Teesside Rare Earth Project) aiming to become a long-term, low-cost supplier of Neodymium and Praseodymium (NdPr) Oxide to the expanding high-tech permanent magnet market.

The consolidated entity recorded an operating loss after income tax of \$13,370,693 for the half-year ended 31 December 2021 (31 December 2020: \$2,119,413).

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

- Tanzanian Cabinet approval of a Special Mining Licence application for the Ngualla Rare Earth Project and Initiation of Economic Framework Agreement discussions;
- Completion of a A\$30 million equity placement and a A\$1.675 million Share Purchase Plan;
- Repayment of the ANRF Royalty Facility and the termination of a 2% life-of-mine royalty;
- Commencement of a Bankable Feasibility Study Update;
- Senior technical, commercial and Board appointments;
- Commencement of repairs and improvements to the Ngualla Access Road;
- Change of name to Peak Rare Earths Limited; and
- Implementation of a 10-into-1 share consolidation.

Tanzanian Cabinet Approval of a Special Mining Licence and Engagement on Economic Framework Agreement

The Company announced on 22 July 2021 that the Cabinet of Ministers ("Cabinet") of the Government of the United Republic of Tanzania (the "Government") had approved the Special Mining Licence ("SML") application by PR NG Minerals Ltd ("PR NG"), a wholly owned Tanzanian incorporated subsidiary of the Company, for the Ngualla Rare Earth Project ("Ngualla Project").

The SML is the milestone regulatory authorisation required to develop the Ngualla Project under the Mining Act of the United Republic of Tanzania ("Tanzania").

Subject to the formal grant of the SML by the Minister of Minerals, PR NG has provided a commitment to the Government to work jointly to establish a Tanzanian registered company ("Newco"), to which PR NG will transfer the SML and to seek any requisite consents. Newco is to be owned 84% by Peak (via a wholly owned entity) and 16% by the Government (to be held in the form of non-dilutable free carried interest shares).

The Company also made substantial progress during the December Half in advancing negotiations with the Government with respect to a Framework Agreement for the Ngualla Project. Notwithstanding that the Ngualla Project Framework Agreement had not been finalised, the Company was an official guest of the Ministry of Minerals at a Mining Contract Signing Ceremony held on 13 December 2021 in Dar Es Salam during which Framework Agreements were signed for a number of other mining projects.

The Chair of Peak, Tony Pearson, delivered a speech at the ceremony which referenced the significant progress that has been made in finalising the Framework Agreement.

Her Excellency Samia Suluhu Hassan, President of Tanzania, made the following comments during her speech:

“There is one company that was to sign today but they did not agree to the in-country value addition and refining point, hence the delay in signing. However, because there have been previous discussions and agreements on this and the timetable was already in place, I authorize the Ministry of Minerals to finalize and sign so that the project can start as soon as possible.”

The Company has a senior team on-the-ground to support ongoing dialogue with the Government of Tanzania and to finalise a Framework Agreement for the Ngualla Rare Earth Project. This team is in daily dialogue with the Company’s Managing Director and Australian executive team on progressing an expedient finalisation of the Framework Agreement.

Equity Raising Completed

An A\$30 million two-tranche equity placement was completed to institutional, sophisticated and professional investors at an issue price of A\$0.09 per share. It resulted in numerous new Australian and international institutional shareholders joining the register.

Retail shareholders were also extended a similar opportunity via a Share Purchase Plan (“SPP”) raising at A\$0.09 per share. The SPP enabled Peak to raise a further A\$1.675 million.

The use of proceeds for the combined A\$31.675 million includes the following:

- Progressing development of the Ngualla Project and Teesside Refinery (including offtake and financing arrangements);
- Expanding the Company’s technical and marketing team; and
- Repaying the ANRF Royalty Facility.

Repayment of Royalty Facility

On 6 August 2021, the Company announced an intention to repay a financing facility from ANRF Royalty Company Limited (“ANRF”) for a total of US\$9,978,755 (A\$13,750,524). This financing facility was extended to the Company in 2015 and used to fund the original Bankable Feasibility Study. It was accompanied by a 2% life-of-mine royalty and security arrangements and a series of undertakings.

The rationale for repaying the ANRF Royalty facility included:

- Enabling Peak to meet its commitments to the Government of Tanzania in relation to the transfer of the SML into a newly incorporated entity that would be owned 84% by the Company and 16% by the Government of Tanzania;
- Termination of a 2% revenue royalty obligation over the life of the Ngualla Project;
- Increasing shareholder exposure to project earnings; and
- Enhanced ability to finance the integrated Ngualla-Teesside Projects.

An Independent Expert determined that the proposed repayment of the facility was fair and reasonable and that fair value was between US\$24.9 million – US\$35.0 million.

Shareholders approved the transaction on 28 September 2021 and it was completed on 5 October 2021.

Commencement of a Bankable Feasibility Study Update and Target Production Capacity Increase

On 25 August 2021, the Company announced that Amec Foster Wheeler (part of the Wood Group plc) had been engaged to lead a Bankable Feasibility Study (“BFS”) Update. Amec Foster Wheeler led the original BFS which was completed in 2017.

The Company identified an opportunity to further optimise the value of its integrated Ngualla-Teesside Project by pursuing an increase in concentrator capacity and the scope of the BFS Update was amended to allow for an increase in the Ngualla flotation plant average Life-of-Mine (“LOM”) capacity to 800ktpa. This reflects an approximate 28% increase in capacity over the average LOM capacity of 624ktpa in the BFS published in April 2017 (“April 2017 BFS”) and an approximate 13% increase in the average LOM capacity of 711ktpa that was reflected in an internal optimisation study completed in August 2017 (“August 2017 Optimisation”).

This higher mine-concentrator throughput would increase the average LOM NdPr Oxide production to between 3,000 - 3,500tpa, compared to 2,420tpa reflected in the April 2017 BFS and 2,810tpa in the August 2017 Optimisation.

As part of the BFS Update, testwork will be undertaken prior to the Final Investment Decision to support detailed design. The program of work will be focused on optimising NdPr recoveries and minimising overall operating costs in the mining and the two processing plants, as well as further decreasing the start-up risks.

An expansion in capacity is expected to support a material increase in the value of the integrated Ngualla-Teesside Project particularly given the strong appreciation in NdPr Oxide prices since the April 2017 BFS and August 2017 Optimisation were completed.

It is expected that the BFS Update will be completed by the end of June 2022.

Senior Technical and Commercial Appointments

The Company has made a series of senior and commercial appointments to support the BFS Update and to advance the Ngualla and Teesside projects towards development and construction.

Key appointments include the following:

Lello Galassi – Head of Operations & Development

Lello has been a project manager and developer for 14 brownfield and greenfield international mining and large infrastructure projects. Lello has a strong track-record in the delivery of greenfield projects, cost control and schedule targets, best practice with respect to safety, environmental and community outcomes and the development of associated infrastructure. His international experience extends to the Democratic Republic of Congo (“DRC”), Guinea, South Africa, Peru, Chile, Guyana, Spain, Australia and Canada. During his career he has worked with ICL, Rio Tinto, Freeport McMoran and Phelps Dodge.

Lello was most recently Vice President Project Development & Construction with Sabina Gold & Silver Corporation

Mark Godfrey – Head of Technical Services

Mark has over 40 years of metallurgical experience and has worked with a broad suite of leading international mining companies including Glencore, Newcrest, MMG, Rio Tinto, BHP and Impala Platinum. Mark has spent a significant portion of his career in Africa and has extensive experience in overseeing feasibility studies, pilot plant test work, optimisation of flow sheets, commissioning of projects, debottlenecking and operational enhancements.

Mark was most recently Technical Manager Metallurgy at the Komoto Copper Project (Glencore) based in the DRC.

Andrea Cornwell – Head of Marketing & Sales

Andrea has over 28 years of international resources marketing experience and has held senior strategic marketing and sales roles with major resources groups such as South32, BHP, Vale, Anglo American and Shell. She has led “go-to market” strategies for large greenfield projects and has substantial experience in leading and executing international marketing strategies, developing and managing customer relationships, overseeing shipping and logistics as well as structuring long-term offtake and sales agreements.

Andrea’s most recent role was Vice President Marketing, Carbon Steel Raw Materials & Freight with South32 based in Singapore.

Gavin Beer – Consulting Metallurgist

Gavin has approximately 30 years of relevant technical and operational experience and specialises in the rare earth and critical metal sectors.

Gavin was the General Manager Metallurgy for Peak between 2015 and 2017 and was responsible for the development and optimisation of the metallurgical process from Ore-to NdPr Oxide and other separated rare earth products. He managed pilot plants for the beneficiation, hydrometallurgy and solvent extraction separation processes that led into the original Bankable Feasibility Study (“BFS”) completed in 2017.

Matthew Horgan – GM Corporate Development

Matthew joined the Company from the corporate advisory firm Azure Capital and was previously with Alcoa where he held a range of corporate development, commercial, marketing and chemical engineering roles.

The technical appointments of Lello, Mark and Gavin provide Peak with a highly experienced and complementary team with a combined track-record in the development and optimisation of African and international mining and rare earth projects. An important area of near-term focus is around the potential to further optimise the integrated Ngualla-Teesside project through the BFS Update process.

The appointment of Andrea and Matthew provides Peak with a strong marketing, commercial and corporate development capabilities. Both Andrea and Matthew will support existing marketing and strategic discussions and lead additional offtake, customer and strategic initiatives.

Giles Stapleton appointed to Board

Giles Stapleton was appointed to the Board of Directors following his election as a Non-Executive Director at the AGM.

Giles is a barrister at Ninth Floor Selborne Chambers in Sydney. His experience as a barrister extends across corporate, commercial, property, equity, and family law. Giles also has extensive experience in banking, property and funds management and was previously Head of Investment Management at Valad Property Group where he was responsible for A\$900m of property funds.

Ngualla Access Roadworks

During the quarter ended 31 December 2021, the Company engaged a construction company to undertake major repairs and improvements to the 48km access road between the Ngualla Project and the town of Kininga. The roadworks will support safe and reliable year-round access to the Ngualla Project and the surrounding communities. The roadworks will also facilitate early project works that are targeted for the second half of Calendar Year 2022 (subject to the achievement of milestones).

The roadworks will significantly improve the livelihood of those within the Ngwala Village and surrounding communities and highlight the positive impact and the benefits that will flow to the community and region once the Framework Agreement is finalised and early works can proceed later in the year.

Change in name to Peak Rare Earths

Following shareholder approval at the Company’s Annual General Meeting (“AGM”) held on 29 November 2021, the Company’s name was changed from Peak Resources Limited to Peak Rare Earths Limited.

The name change was undertaken to better differentiate the Company and align it with the rare earths sector.

In conjunction with its name change, the Company has also launched new website www.peakrareearths.com

Implementation of Capital Consolidation

A capital consolidation entailing the conversion of every ten (10) securities into one (1) security was also approved at the AGM.

The rationale for the capital consolidation was to support a more appropriate and effective capital structure and a share price that would be more appealing to a broader range of investors.

The consolidation was completed on 10 December 2021 with trading on a normal T+2 basis commencing on 13 December 2021.

Events Subsequent to Reporting Date

On 11 February 2022, Shenghe Resources Holding Co Ltd (“Shenghe”) acquired a 19.9% interest in Peak from Appian Pinnacle Holdco Limited (“Appian”), through its subsidiary, Shenghe Resources (Singapore) Pte Ltd. Shenghe will not be entitled to, and Appian will no longer enjoy, Appian’s previous shareholder rights, which included director nomination rights, capital raising notifications and information and consultation rights. As a result, Rebecca Morgan, a nominee director of Appian, resigned as a non-executive director of the Company on 13 February 2022.

Subsequent to 31 December 2021, 1,228,494 unlisted and listed options at various exercise prices and expiry dates were exercised to provide proceeds of A\$372,298 to the Company. A further 100,000 performance rights were cancelled on cessation of employment and 125,000 Unlisted Options expired unexercised.

Other than the matters referred to above there were no other events that have a material impact on the financial statements or operations of the Group and Company.

Auditor’s Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst Young to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7 of this half year financial report. This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Bardin Davis

Managing Director

Dated this 11th day of March 2022



Tony Pearson
Chair

Dated this 11th day of March 2022



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Auditor's independence declaration to the directors of Peak Rare Earths Limited

As lead auditor for the review of the half-year financial report of Peak Rare Earths Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'P. Dreyer'.

Pierre Dreyer
Partner
11 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Half Year Ended 31 December 2021

	Notes	Consolidated	
		31 December 2021 \$	31 December 2020 \$
Interest received		4,302	6,015
R&D rebate and other grants received		-	101,762
		4,302	107,777
Employee benefits expenses		(1,237,774)	(140,564)
Share based payments expenses		(219,943)	(261,141)
Depreciation and amortisation expenses		(74,022)	(9,405)
Loss on disposal of assets		-	(543)
Borrowing costs	5	(7,857,838)	(166,091)
Administrative and other costs	3	(2,222,974)	(670,705)
Technical feasibility costs	3	(1,762,444)	(978,741)
		(13,374,995)	(2,227,190)
Loss before income tax expense		(13,370,693)	(2,119,413)
Income tax expense		-	-
Net loss for the period		(13,370,693)	(2,119,413)
Other comprehensive (loss)/income			
<i>Items which may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		1,492,816	(5,439,686)
Other comprehensive (loss)/income for the period net of tax		1,492,816	(5,439,686)
Total comprehensive loss for the period		(11,877,877)	(7,559,099)
Basic and diluted loss per share (in cents)		(6.73)	(1.34)

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	Consolidated	
		As at 31 December 2021 \$	As at 30 June 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		14,612,875	2,680,367
Trade and other receivables		852,774	732,455
Prepayments		173,866	84,740
Total current assets		15,639,515	3,497,562
Non-current assets			
Property, plant and equipment		122,222	24,819
Right-of-use asset		3,452,207	3,583,243
Exploration and evaluation costs	4	56,256,772	54,472,897
Investments		8,000	8,000
Total non-current assets		59,839,201	58,088,959
Total assets		75,478,716	61,586,521
LIABILITIES			
Current liabilities			
Trade and other payables		1,265,417	576,746
Provisions		76,550	28,433
Total current liabilities		1,341,967	605,179
Non-current liabilities			
Royalty liability	5	-	5,686,663
Total non-current liabilities		-	5,686,663
Total liabilities		1,341,967	6,291,842
Net assets		74,136,749	55,294,679
EQUITY			
Contributed equity	6	138,217,733	107,717,730
Reserves	7	1,701,732	(11,027)
Accumulated losses		(65,782,716)	(52,412,024)
Total equity		74,136,749	55,294,679

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December 2021

	Consolidated	
Notes	31 December 2021 \$	31 December 2020 \$
OPERATING ACTIVITIES		
Payments to suppliers and employees	(4,631,407)	(2,043,637)
Interest received	4,302	8,382
R&D tax refund and other grants received	-	101,762
Cash used in operating activities	(4,627,105)	(1,933,493)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(149,483)	(233)
Proceeds from sale of non-current assets	-	530
Cash from (used in) investing activities	(149,483)	297
FINANCING ACTIVITIES		
Proceeds from issue of equity shares	31,862,436	4,533,002
Cost of issuing equity shares	(1,382,278)	(355,920)
Repayment of royalty liability	5 (13,750,524)	-
Cash generated from financing activities	16,729,634	4,177,082
Net increase in cash and cash equivalents held	11,953,046	2,243,886
Balance at the beginning of the period	2,680,367	2,546,021
Effect of foreign currency translation	(20,538)	(909)
Balance at the end of the half year	14,612,875	4,788,998

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half Year Ended 31 December 2021

	Consolidated				
	Contributed Equity	Share based payment reserve	Foreign Currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 July 2020	99,893,335	3,787,758	(171,560)	(47,641,176)	55,868,357
Loss for the period	-	-	-	(2,119,413)	(2,119,413)
Other comprehensive loss	-	-	(5,439,686)	-	(5,439,686)
Total comprehensive loss for the period	-	-	(5,439,686)	(2,119,413)	(7,559,099)
Equity issued	4,533,002	-	-	-	4,533,002
Transaction costs	(355,920)	-	-	-	(355,920)
Share based payments	-	261,141	-	-	261,141
At 31 December 2020	104,070,417	4,048,899	(5,611,246)	(49,760,589)	52,747,481
At 1 July 2021	107,717,730	4,644,083	(4,655,110)	(52,412,023)	55,294,680
Loss for the period	-	-	-	(13,370,693)	(13,370,693)
Other comprehensive income	-	-	1,492,816	-	1,492,816
Total comprehensive loss for the period	-	-	1,492,816	(13,370,693)	(11,877,877)
Equity issued	31,882,282	-	-	-	31,882,282
Transaction costs	(1,382,279)	-	-	-	(1,382,279)
Share based payments	-	219,943	-	-	219,943
At 31 December 2021	138,217,733	4,864,026	(3,162,294)	(65,782,716)	74,136,749

The statement should be read in conjunction with accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

For the Half Year Ended 31 December 2021

1 Corporate information

The financial report of Peak Rare Earths Limited (previously Peak Resources Limited; the Group) for the half year ended 31 December 2021 was authorised for issue in accordance with a resolution of the directors on 11 March 2022.

Peak Rare Earths Limited is a company limited by shares and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The address of its registered office and principal place of business is disclosed in the introduction to the Half Year Report of 31 December 2021.

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

2 Statement of significant accounting policies

a) Statement of compliance

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Peak Rare Earths Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim review period except as set out below.

b) Basis of preparation

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

Going Concern

As at 31 December 2021, the Group has net current assets of \$14,297,548 (30 June 2021: \$2,892,383), of which cash and cash equivalents amounted to \$14,612,875 (30 June 2021: \$2,680,367). For the half-year ended 31 December 2021, the Group incurred a loss after tax of \$13,370,693 (2020: \$2,119,413) and an operating cash outflow of \$4,627,105 (2020: \$1,933,493).

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

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

2 Statement of significant accounting policies (continued)

c) Basis of consolidation

The consolidated financial statements of Peak Rare Earths Limited comprise the financial statements of the Group and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value. Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

d) Impact of new standards applied for the first time

The accounting policies adopted in the preparation of the half-year consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial report for the year ended 30 June 2021 and the corresponding interim review period, except for the adoption of new and amended accounting standards and interpretations effective as of 1 July 2021, as per below. The adoption of these new and amended accounting standards and interpretations did not have an impact on the consolidated entity.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary relief which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients: A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group will consider the use of the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to AASB 16

In June 2020, the AASB issued Covid-19-Related Rent Concessions - amendment to AASB 16 *Leases*. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under AASB 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the AASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2 Statement of significant accounting policies (continued)

d) Impact of new standards applied for the first time (continued)

Standards issued but not yet effective

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

3 LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2021	31 December 2020
	\$	\$
The following income and expense items are relevant in explaining the financial performance for the half-year:		
Administrative and other costs		
- Corporate and compliance	(1,431,961)	(62,363)
- Occupancy expenses	(15,597)	(44,379)
- Travel expenses	(124,134)	(31,114)
- Other expenses	(662,249)	(538,928)
- Unrealised foreign exchange gain	10,967	6,079
Total Administrative and other costs	(2,222,974)	(670,705)
Technical feasibility costs	(1,762,444)	(978,741)

4 EXPLORATION AND EVALUATION COSTS

	Consolidated	
	31 December 2021	30 June 2021
	\$	\$
<u>Movement in net carrying amount:</u>		
Balance at beginning of period	54,472,897	59,419,382
Foreign exchange movements	1,783,875	(4,946,485)
Balance at end of period	56,256,772	54,472,897
<u>Capitalised areas of interest:</u>		
Ngualla Rare Earth Project, Tanzania	56,256,772	54,472,897
	56,256,772	54,472,897

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

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

5 ROYALTY LIABILITY

	Consolidated	
	31 December 2021	30 June 2021
	\$	\$
Balance at beginning of period	5,686,663	5,857,433
Accretion of interest	90,688	323,904
Foreign exchange movements	197,460	(494,674)
Repayment of royalty liability	(5,974,811)	-
Balance at 31 December 2021	-	5,686,663

In July 2015, ANRF Royalty Company Limited (ANRF) and International Finance Corporation (IFC) advanced US\$5,191,201 to the Group for a 2% Gross Sales Royalty from the Ngualla Rare Earth's project in accordance with the Royalty Agreement. On 5 August 2021, Peak Rare Earths Limited, PR NG Minerals Limited (wholly owned subsidiary of the Group), Appian and ANRF entered into a conditional Royalty Repayment and Release Agreement whereby the parties agreed to terminate the Royalty Agreement following a cash payment by PR NG Minerals Limited to Appian and ANRF of the Principal Sum of US\$5,191,201 and accrued interest of US\$4,787,554 totalling US\$9,978,755 (or A\$13,750,524). The Royalty Repayment and Release Agreement was approved by Peak shareholders at a General Meeting held on 28 September 2021 and the transaction was completed on 5 October 2021. The excess of the total repayment of A\$13,750,534 over the carrying value of the royalty liability at 5 October 2021 is recognised as "Borrowing costs" in the profit or loss.

6 CONTRIBUTED EQUITY

	Issue Date	Nos.	\$
Balance at 30 June 2020		1,405,305,618	99,893,335
Shares issued on exercise of vested performance rights @ \$Nil per share	3-Jul-20	2,000,000	-
Shares issued in settlement of deferred directors fees and deferred executive remuneration @ 3.42 cents per share	7-Aug-20	3,762,020	128,661
Placement @ 3.2 cents per share	28-Oct-20	109,375,000	3,500,000
Share Purchase Plan @ 3.2 cents per share	17-Nov-20	26,562,493	850,000
Shares issued on exercise of vested performance rights @ \$Nil per share	24-Nov-20	2,442,000	-
Shares issued in settlement of directors' fees and equity component of executive remuneration @ 6.3078 cents per share	23-Dec-20	861,469	54,340
Issue of shares on exercise of unlisted options	25-Jan-21	750,000	48,750
Issue of shares on exercise of unlisted options	25-Jan-21	14,000,000	700,000
Issue of shares on settlement deed	29-Jan-21	3,019,230	196,250
Issue of shares on exercise of unlisted options	29-Jan-21	400,000	20,000
Issue of shares on settlement deed	1-Feb-21	4,500,000	191,250
Issue of shares on exercise of unlisted options	2-Feb-21	4,000,000	240,000
Issue of shares on exercise of unlisted options	2-Feb-21	4,000,000	240,000
Issue of shares on exercise of unlisted options	2-Feb-21	800,000	40,000
Issue of shares on exercise of unlisted options	4-Feb-21	800,000	40,000
Issue of shares on exercise of unlisted options	11-Feb-21	2,000,000	100,000
Issue of shares on settlement deed	15-Feb-21	730,770	47,500
Issue of shares on exercise of unlisted options	15-Feb-21	1,125,000	39,375
Issue of shares on exercise of unlisted options	19-Feb-21	3,375,000	101,250
Issue of shares on exercise of unlisted options	5-Mar-21	1,750,000	52,500
Issue of shares for nil consideration on exercise of vested performance rights	8-Mar-21	75,000	-
Issue of shares on exercise of unlisted options	11-Mar-21	3,000,000	180,000
Issue of shares for nil consideration on exercise of vested performance rights	1-Apr-21	2,250,000	-
Shares issued in settlement of director fees at 9.54 cents per share	1-Apr-21	205,751	19,628
Issue of shares on exercise of unlisted options	6-May-21	11,166,295	669,978
Issue of shares on exercise of unlisted options	7-May-21	2,171,596	130,296
Issue of shares on exercise of unlisted options	10-May-21	662,109	39,727
Issue of shares on exercise of unlisted options	25-May-21	208,747	6,262
Issue of shares on exercise of unlisted options	4-Jun-21	4,500,000	292,500
Issue of shares on exercise of unlisted options	10-Jun-21	4,500,000	292,500
Issue of shares for nil consideration on exercise of vested performance rights	21-Jun-21	8,250,000	-
Issue of shares on exercise of unlisted options	25-Jun-21	210,000	6,300
Equity issue costs			(402,672)
Balance at 30 June 2021		1,628,758,098	107,717,730
Issue of shares for nil consideration on exercise of vested performance rights	1-Jul-21	330,000	-

6 CONTRIBUTED EQUITY (continued)

	Issue Date	Nos.	\$
Shares issued in settlement of equity component of executive remuneration @ 11.3722 cents per share	8-Jul-21	174,518	19,847
Issue of shares on exercise of listed PEKOD options @ 3 cents per share	6-Aug-21	333,333	10,000
Issue of shares Tranche 1 Capital Raising @ 9 cents per share	13-Aug-21	226,851,892	20,416,670
Issue of shares on exercise of listed PEKOD options @ 3 cents per share	8-Sep-21	4,166,667	125,000
Issue of shares on exercise of listed PEKOD options @ 3 cents per share	1-Oct-21	1,300,000	39,000
Issue of shares on exercise of listed PEKAI options @ 3.5 cents per share	1-Oct-21	375,000	13,125
Issue of shares Tranche 2 Capital Raising @ 9 cents per share	4-Oct-21	106,481,442	9,583,330
Issue of shares for nil consideration on exercise of vested performance rights	5-Oct-21	482,000	-
Share Purchase Plan @ 9 cents per share	8-Oct-21	18,614,511	1,675,311
Capital Consolidation 10 securities into 1	10-Dec-21	(1,789,079,928)	-
Equity Issue Costs			(1,382,278)
Balance at 31 December 2021		198,787,533	138,217,733

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

Options over ordinary shares (including performance rights)

The following performance rights issues were made during the period:

1,918,266[^] Performance Rights as a Long-Term Incentive to employees expiring 9 December 2025.

The following options and performance rights were cancelled/expired/exercised during the period:

5,800,000[#] PEKOD Listed Options at \$0.03 expiring 14 April 2022 were exercised.

375,000[#] unlisted options expiring 17 January 2022 with an exercise price of \$0.035 were exercised.

1,300,000[#] unlisted options expiring 5 March 2023 with an exercise price of \$0.03 were exercised.

476,000[#] vested Performance Rights exercisable on or before 8 September 2021 lapsed unexercised

462,000[#] vested Performance Rights exercisable on or before 8 September 2021 were exercised

[#] Pre - Capital Consolidation 10 securities into 1 on 10 Dec 2021

^{*} Post - Capital Consolidation 10 securities into 1 on 10 Dec 2021

[^]The Performance Rights will vest on achievement of performance milestones set by the Board

Options on issue at 31 December 2021:

Options over ordinary shares (including performance rights)	Date of Issue	Nos	Status	Exercise Price	Expiry Date
PEKOD listed options	14-Apr-20	8,154,133	Vested	\$0.30	14/04/2022
Unlisted Options	17-Jan-19	200,000	Unvested	\$0.35	17/01/2022
Unlisted Options	6-May-19	849,000	Vested	\$0.30	05/03/2023
Unlisted Options	04-Nov-19	300,000	Unvested	\$1.00	21/06/2022
Unlisted Options	04-Nov-19	500,000	Unvested	\$1.50	21/06/2023
Performance Rights	05-Feb-21	2,015,000	Unvested	\$nil	05/02/2025
Performance Rights	09-Dec-2021	1,918,266	Unvested	\$nil	09/12/2025
Balance at 31 December 2021		13,936,399	Vested & unvested	\$nil-\$1.50	17/1/2022 - 09/12/2025

7 RESERVES

	Share based payment reserve	Foreign Currency translation reserve	Total
	\$	\$	\$
At 1 July 2020	3,787,758	(171,560)	3,616,198
Share based payment made 1 July 2020 to 30 June 2021	856,325	-	856,325
Exchange difference on translation of foreign operations	-	(4,483,550)	(4,483,550)
At 30 June 2021	4,644,083	(4,655,110)	(11,027)
Share based payment made 1 July 2021 to 31 December 2021	219,943	-	219,943
Exchange difference on translation of foreign operations	-	1,492,816	1,492,816
At 31 December 2021	4,864,026	(3,162,294)	1,701,732

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

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

8 OPERATING SEGMENTS

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

9 COMMITMENTS

Peak Rare Earths Limited had no commitments to purchase property, plant and equipment or contingent liabilities at half year end 31 December 2021 (31 December 2020: \$nil).

Peak's 100% owned subsidiary Peak African Minerals has provided a fully drawn working capital loan facility of US\$4,209,317 at 8% interest plus a finance charge of US\$684,000. The facility is not currently due and payable, however if and when the facility is repaid the interest and finance charge will be subject to withholding tax at 10% which is estimated to be US\$251,818 as at 31 December 2021.

10 EVENTS SUBSEQUENT TO REPORTING DATE

On 11 February 2022, Shenghe Resources Holding Co Ltd ("Shenghe") acquired a 19.9% interest in Peak from Appian Pinnacle Holdco Limited ("Appian"), through its subsidiary, Shenghe Resources (Singapore) Pte Ltd. Shenghe will not be entitled to, and Appian will no longer enjoy, Appian's previous shareholder rights, which included director nomination rights, capital raising notifications and information and consultation rights. As a result, Rebecca Morgan, a nominee director of Appian, resigned as a non-executive director of the Company on 13 February 2022.

Subsequent to 31 December 2021, 1,228,494 unlisted and listed options at various exercise prices and expiry dates were exercised to provide proceeds of A\$372,298 to the Company. A further 100,000 performance rights were cancelled on cessation of employment and 125,000 Unlisted Options expired unexercised.

Other than the matters referred to above there were no other events that have a material impact on the financial statements or operations of the Group and Company.

DIRECTORS' DECLARATION

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

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

- a. complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year then ended.

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

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

On behalf of the Directors



Bardin Davis
Managing Director
Dated this 11th day of March 2022



Tony Pearson
Chair
Dated this 11th day of March 2022



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Independent auditor's review report to the members of Peak Rare Earths Limited

Conclusion

We have reviewed the accompanying half-year financial report of Peak Rare Earths Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

Without qualifying our conclusion, we draw attention to Note 2(b) of the half-year financial report. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

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



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'P. Dreyer', written in a cursive style.

Pierre Dreyer
Partner
Perth
11 March 2022