

## Quarterly Activities Report and Appendix 5B

### March 2022 Quarter

#### HIGHLIGHTS

Peak Rare Earths Limited ("Peak" or the "Company") continues to progress the development of its integrated Ngualla - Teesside Rare Earth Project ("Project") with the following events occurring during the March Quarter:

- Framework Agreement negotiations with the Tanzanian Government are close to being finalised
- Senior Tanzanian Government delegation attends Ngualla site visit
- Advancement of marketing offtake MOUs
- Completion of the Ngualla Roadworks
- Significant progress on Bankable Feasibility Update
- Renewed commitment to a non-Chinese aligned strategy and approach
- Appointment of a Financial Adviser
- Further capital raised via the exercise of listed and unlisted options
- Increasingly attractive market outlook

#### Framework Agreement Update

During the March Quarter Peak and the Government of the United Republic of Tanzania ("Tanzanian Government") have been progressing negotiations on a Framework Agreement for the Ngualla Rare Earth Project ("Ngualla Project") towards completion.

The Managing Director of Peak, Bardin Davis, arrived in Tanzania in mid-February and spent the following 10 weeks in-country supporting the Company's on-the-ground team in engaging with the Tanzanian Government. During this period Peak and the Tanzanian Government have made substantial progress in negotiating a Framework Agreement that meets Peak's strategic and financial objectives and the Tanzanian Government's objectives to maximise value-addition and financial benefits to the country.

Having regard to the Tanzanian Government's strategy of developing in-country refining, Peak is seeking the right to export beneficiated rare earth concentrate, subject to the following conditions:

- Peak funding a future independent technical assessment of the technical, economic and environmental feasibility of constructing a refinery in Tanzania;
- If a feasibility study determines that a refinery is feasible (from a technical, economic and environmental perspective), Peak would be required to construct a rare earth refinery in Tanzania once the Teesside Refinery capital and funding costs have been re-couped;
- If a feasibility study determines that a refinery is infeasible (from a technical, economic or environmental perspective), Peak would not be required to construct a refinery in Tanzania;
- A higher royalty being payable to the Tanzanian Government for any Tanzanian sourced concentrate refined offshore; and
- Peak seeking to provide employment and training opportunities for Tanzanian nationals at the Teesside Refinery.

If Peak is required to construct a rare earth refinery in Tanzania, potential strategic options in relation to the Teesside Refinery include:

- Repurposing the Teesside Refinery to process third-party concentrate; and
- Peak acquiring and/or developing other rare earth deposits that could utilise the Teesside Refinery.

Another potential option would be to develop a Tanzanian rare earth refinery focussed on processing unweathered bastnaesite, monazite and heavy rare earths that are contained within the Ngualla Deposit, but not yet reflected in the current mine plan. Subject to further engagement with the Tanzanian Government this could enable the Teesside Refinery to continue to process the weathered bastnaesite currently within the mine plan.

Whilst Peak is pleased with the progress of negotiations with the Tanzanian Government and is hopeful that they are nearing completion, there is a risk that a final agreement may be further delayed.

### **Senior Government Site Visit**

As part of its ongoing engagement with the Tanzanian Government, Peak was delighted to host a delegation from the Tanzanian Government to the Ngualla Rare Earths Project on 10 March 2022. Senior members of the delegation included the Hon. Dr Stephen Kiruswa – Deputy Minister for Minerals, Hon. Phillip Mulugo – Member of Parliament for the Songwe Region and Mr. Simon Simalenga – Songwe District Commissioner.

The Deputy Minister for Minerals, Hon. Dr Stephen Kiruswa, praised Peak's community initiatives and delivered strong messages of government support for the Ngualla Rare Earth Project. In addressing a meeting with the local community, the Deputy Minister for Minerals noted that the project agreements were being reviewed and that a licence would be issued shortly.



***Government Site Visit Delegation – Peak Country Manager (Ismail Diwani), Peak Managing Director (Bardin Davis), Songwe MP (Hon. Phillip Mulugo), District Commissioner (Simon Simalenga), Deputy Mayor of Songwe District, Deputy Minister for Minerals (Hon. Dr Stephen Kiruswa), CCM District Chair (Hamad Ali), Representative of Mining Commission (Theresia Ntuke)***

## **Marketing and Offtake Progress**

During the March Quarter Peak continued to make strong progress with respect to its “go-to-market strategy” with offtake arrangements advancing with key target customers in Japan, Korea and Europe.

Memorandum of Understanding (“MOU”) negotiations covering approximately 70% of Peak’s annual projected NdPr Oxide production are in the final stages of discussion with key commercial terms such as pricing formula, volume and tenor well advanced.

These MOU’s will provide the framework for ongoing collaboration and binding Offtake and Supply Agreements, which are scheduled to be finalised prior to a Final Investment Decision by the end of December 2022.

## Completion of Ngualla Access Roadworks

A major upgrade of the Southern Access Road was completed during the March Quarter over a 48 km length from the village of Kininga to the Ngualla Project.

The road upgrade has enabled all year access to site. Key aspects of the works included the addition of five new major waterway crossings, repairs to heavily eroded sections of the road, the addition of rock and other aggregates to the roadbed, clearing of trees to widen and improve overall safety of the road with increased visibility.

This work was completed without any HSE incidents and with over 50% of the workforce being hired directly from local communities.

## Bankable Feasibility Study Update

Substantial progress has been made on the Bankable Feasibility Study Update over the March Quarter.

Key activities undertaken during the March Quarter included:

- Completion of geotechnical studies on the Southern Access and the Plant Access Roads;
- Progressing detailed engineering of the Ngualla mine, mill and concentrator and the Teesside Refinery to support a throughput capacity of 800ktpa;
- Plant layouts redesigned to support improved operability, maintenance and fire safety;
- Updating of mine plan to support the increased throughput capacity of 800ktpa (a ~28% increase over the 2017 Bankable Feasibility Study average capacity of 624ktpa);
- Development of constructability plans for the Ngualla Project and the Teesside Refinery;
- Commissioning of a detailed transportation and logistics study;
- Redesign of the Ngualla Tailings Storage Facility to allow for higher mine throughput and the optimisation of retention structures;
- Beneficiation plant testwork programs;
- Collection of bulk ore samples from the Ngualla Project for an upcoming beneficiation pilot plant campaign;
- Progressing technical and external reviews of the Teesside Refinery;
- Finalisation of process design criteria for the purposes of the Bankable Feasibility Study Update; and

- Identifying opportunities to mitigate broader inflationary pressures associated with higher shipping rates, commodity input prices and labour rates.

It is expected that the Bankable Feasibility Study Update will be finalised during July 2022.

## **Renewed Commitment to an Independent and Non-Chinese Aligned Strategy**

On 14 February 2022 Peak was informed that Shenghe Resources Holding Co Ltd (“Shenghe”), a Chinese rare earth company, had agreed to acquire a 19.9% interest in Peak from Appian Pinnacle Holdco Limited (“Appian”) at A\$0.99 per share.

Whilst Peak was not consulted or involved in any discussions or negotiations between Appian and Shenghe, it views the investment as a strong endorsement of the world-class nature and strategic value of the Ngualla–Teesside project.

Shenghe is not entitled to Appian’s previous shareholder rights, which included director nomination rights. Peak has also confirmed that it is not entertaining any changes to its board, governance or management structure as a result of Shenghe’s interest.

Peak believes that the interests of the Company and its shareholders as a whole are best served by continuing to position itself as an Australian-managed independent source of rare earth oxide production.

The strategic importance of rare earths to economies and national security, continues to drive an appetite for diversity of supply and production outside of China. China accounts for approximately 85–90% of global production of NdPr Oxide, which is the key element in high strength permanent magnets used in electric vehicles and wind turbines.

Chinese market dominance is being further strengthened through centrally coordinated consolidation initiatives, which include the recent formation of China Rare Earth Group through the merger of Ganzhou Rare Earth Group with the rare earth operations of major Chinese State-Owned Enterprises, Chinalco and Minmetals.

Peak believes its position as an independent source of production is important to offtakers, financiers and other stakeholders.

## **Financial Adviser Appointment**

Following Shenghe’s acquisition of its stake in Peak and broader strategic interest in the rare earths and critical minerals sectors, Macquarie Capital has been appointed by Peak to provide advice on takeover response planning and strategic options to unlock shareholder value.

## **Capital Raising via the Exercise of Listed Options**

During the March Quarter 4.746 million listed PEKOD options and 0.365 million unquoted options were exercised, which resulted in a capital inflow of A\$1.602 million. After the end

of the Quarter a further 3.404 million options were exercised ahead of their expiry on 14 April 2022, which increased the raising size by another A\$1.021 million.

### Electric Vehicle Sales

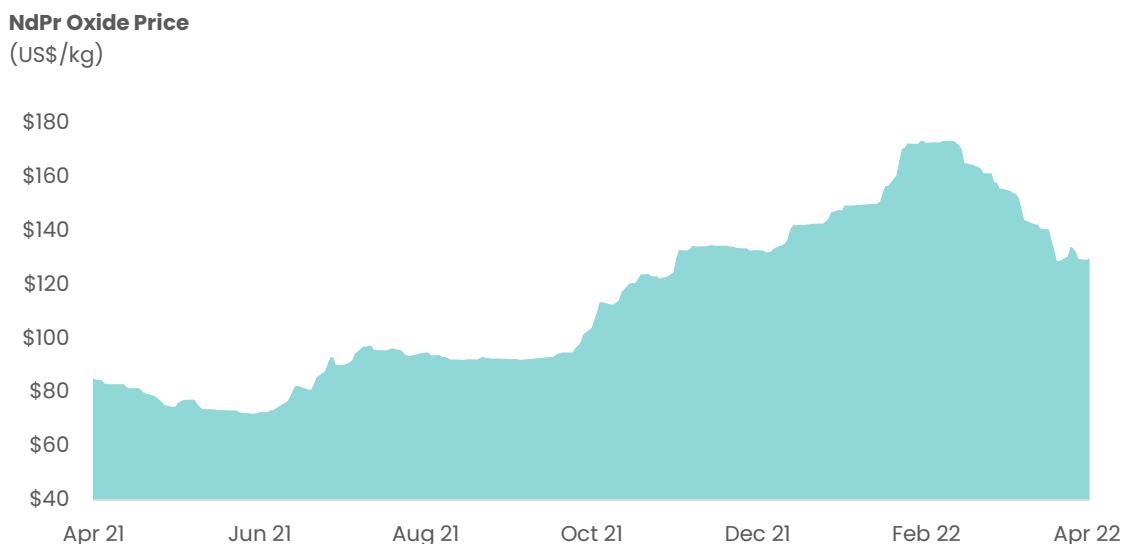
Uptake of EVs has continued to increase rapidly through the March Quarter of 2022. Adamas Intelligence estimates that between January 2022 and the corresponding month in 2021 that global passenger EV sales increased by 61%, global motor power deployed in all newly sold passenger EVs increased by 79% and NdFeB consumption in passenger EV traction motors and generators increased by around 80%.

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

### Pricing Update

NdPr Oxide prices remained buoyant over the March Quarter finishing the quarter at US\$152/kg, having started the quarter at \$151/kg. Prices have decreased slightly since the end of the March Quarter and closed at US\$130/kg on 26 April 2022. As at this date the average NdPr Oxide price over the past 12 months was US\$115/kg.

**NdPr Oxide Prices China in US\$/kg over the 12 months ended 26 April 2022.**



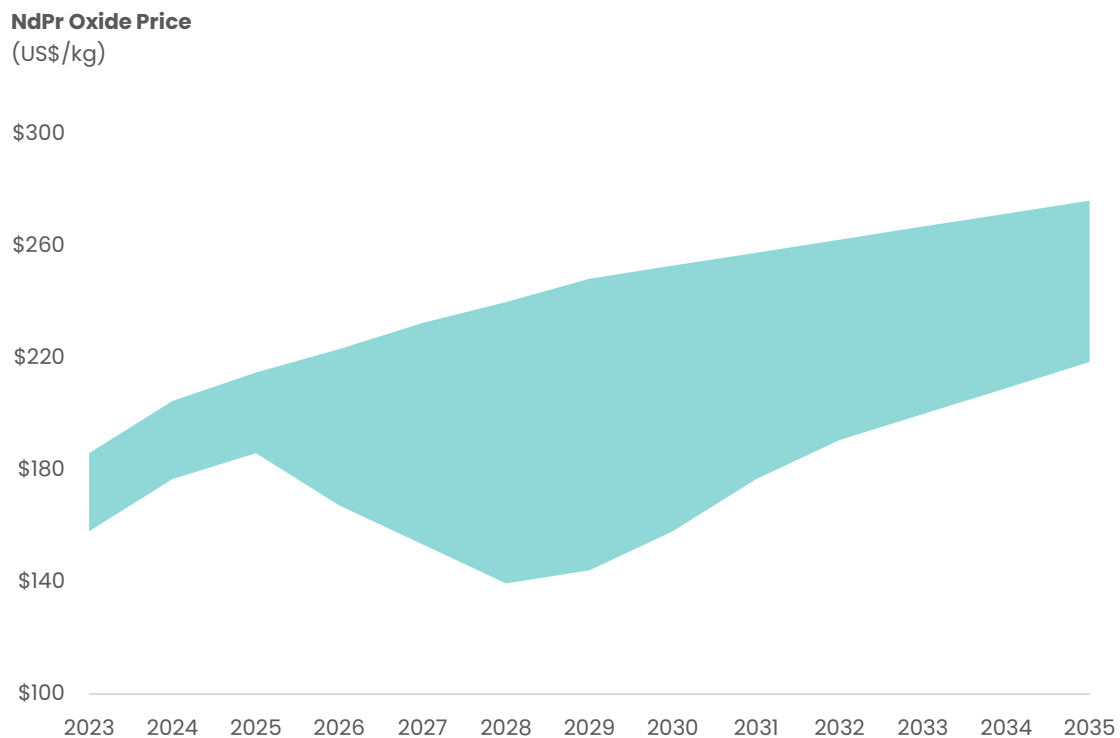
Source: Asian Metal (China Domestic)

## Market Outlook

Adamas Intelligence has recently published an updated outlook on the rare earth market, titled 'Rare Earth Magnet Outlook to 2035, Q2 2022'. It forecasts a NdPr Oxide deficit of 68ktpa by the year 2035 as a result of accelerated growth in EVs. This projected market deficit represents approximately 20 times Peak's planned NdPr Oxide production of 3.0–3.5ktpa.

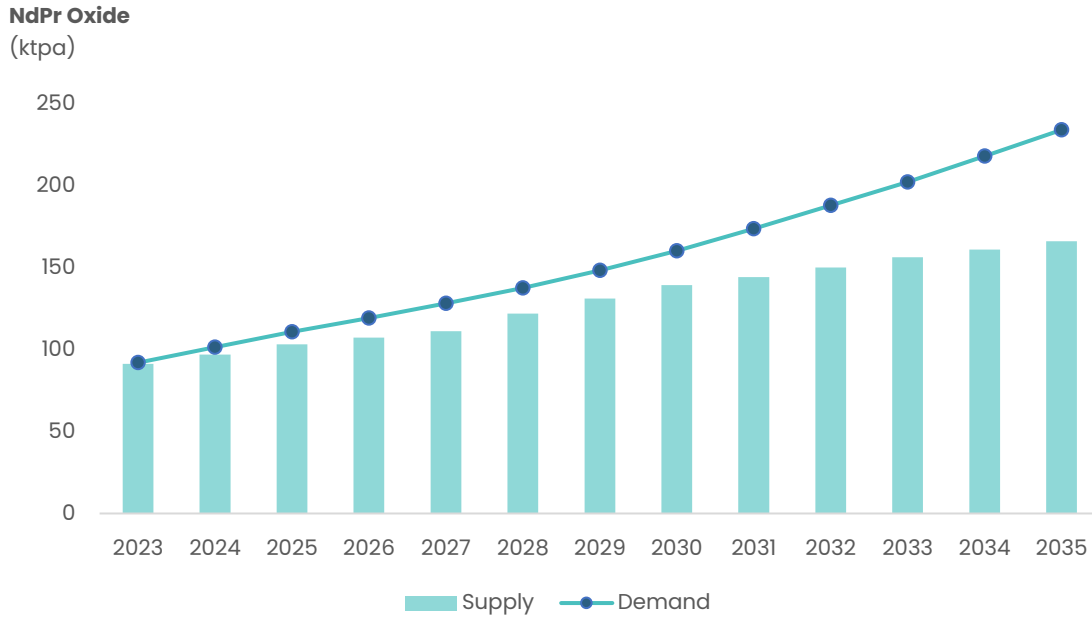
Adamas Intelligence has also updated their rare earth pricing forecasts. Under its base pricing scenario, the NdPr Oxide price is forecasted to increase to US\$200/kg by 2025, which is when Peak is scheduled to commence production at its Teesside refinery, and is forecasted to reach \$247/kg by 2035.

### Forecast NdPr Oxide Price (Real), including VAT (shaded area represents the range between 'downside' and 'upside' scenarios)



Source: Adamas Intelligence Rare Earth Magnet Outlook to 2035, Q2 2022

### Forecast NdPr Oxide Supply-Demand Balance



Source: Adamas Intelligence Rare Earth Magnet Outlook to 2035, Q2 2022



## CORPORATE

### Cash at Hand and Securities Information as at 31 March 2022

**ASX:** PEK

**Cash at hand:** \$12.738 million

**Ordinary Shares on Issue:** 203.9 million

**52 week range:** \$0.61 – \$1.55\*

**PEKOD Listed \$0.30 14 April 2022 Options on Issue:** 3.407 million

**Market Cap:** \$163.1m (at \$0.80)

**Unlisted Options outstanding:** 1.359

**Liquidity:** 343k shares per trading day

million (exercise prices A\$0.30 to A\$1.50)

(average over 3 months\*\*)

**Unlisted Performance Rights outstanding:** 3.833 million<sup>#</sup>

\* From 1 April 2021 to 31 March 2022 on ASX on a post the Dec 2021 securities consolidation basis \*\* Average from 1 January 2022 to 31 March 2022 on ASX. <sup>#</sup>Some subject to milestone and continuing service vesting criteria <sup>#</sup>subject to performance vesting criteria

### Additional Financial Commentary

The Quarterly Cashflow Report (Appendix 5B) attached for the period ending 31 March 2022 provides details of the Company's financial activities.

The Quarterly operating expenditure included \$0.176 million to related parties, being executive and non-executive directors' remuneration.

The exploration, evaluation or development expenditure during the March Quarter totalled \$1.905 million and included \$0.508 million for the Ngualla access remedial roadworks and \$1.010 million on the BFS Update.

## Summary of Mining Tenements and Areas of Interest

As at 31 March 2022.

Project	Tenement	End of June 2020 Quarter	End of September 2020 Quarter	Status	Arrangement/Comment
Mikuwo	PL 9157/2013	100%	100%	Granted	Held by 100% Tanzanian subsidiary company PR NG Minerals Ltd
Mlingi	PL10897/2016	100%	100%	Granted	Held by 100% Tanzanian subsidiary company PR NG Minerals Ltd
Ngualla	SML/00601/2017	100%	100%	Cabinet approval, pending formal grant	Held by 100% Tanzanian subsidiary company PR NG Minerals Ltd

*\*All tenements held are located in the Songwe Region of the United Republic of Tanzania.*



This announcement has been authorised for release by the Managing Director.

**DIRECTORS**

**Non-Executive Chairman – Tony Pearson**

**Managing Director – Bardin Davis**

**Non-Executive Director – Hon. Abdullah Mwinyi**

**Non-Executive Director – Giselle Collins**

**Non-Executive Director – Giles Stapleton**

**Chief Financial Officer/Company Secretary – Philip Rundell**

**ASX:PEK**

**Peak Rare Earths Limited**

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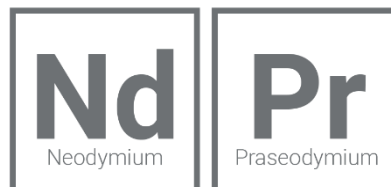
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## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

<b>PEAK RARE EARTHS LIMITED</b>
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ABN

<b>72 112 546 700</b>
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Quarter ended ("current quarter")

<b>MARCH 2022</b>
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(1,905)	(3,507)
(c) production	-	-
(d) staff costs	(634)	(1,899)
(e) administration and corporate costs	(759)	(2,421)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST/VAT and other taxes)	(43)	(138)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,339)</b>	<b>(7,959)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(62)	(218)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(64)	(64)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(126)</b>	<b>(282)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	31,675
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1,602	1,789
3.4	Transaction costs related to issues of equity securities or convertible debt securities	5	(1,396)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)*	-	(13,751)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,607</b>	<b>18,317</b>

\* The financing cash outflow reported at Item 3.9 of A\$13.751m relates to full repayment of a financing facility from ANRF Royalty Company Limited for a total of US\$9.979m.

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	14,616	2,682
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,339)	(7,959)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(126)	(282)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,607	18,317

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>12,758</b>	<b>12,758</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	12,758	14,616
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12,758</b>	<b>14,616</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	176
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other – Bank Guarantee (Office Lease)	64	64
<b>7.4 Total financing facilities</b>	<b>64</b>	<b>64</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,339)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,339)
8.4 Cash and cash equivalents at quarter end (item 4.6)	12,758
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	12,758
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>3.82</b>
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

**Mining exploration entity or oil and gas exploration entity quarterly cash flow report**


8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  .....

Print Name: Phil Rundell  
Company Secretary

Date: 29 April 2022

Authorised by: Audit & Risk Committee  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.