PEAK RESOURCES LIMITED

(ABN 72 112 546 700)

Half Year Report

31 December 2018

COMPANY DIRECTORY

Non-Executive Chairman

Peter Meurer

Chief Executive Officer

Rocky Smith

Non-Executive Directors

Jonathan Murray
John Jetter
Tony Pearson

Company Secretary

Graeme Scott

Principal and Registered Office

Ground Floor
5 Ord Street
WEST PERTH WA 6005

Telephone:	(08) 9200 5360
Facsimile:	(08) 9226 3831

Auditors

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

Share Registrar

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

Securities Exchange Listing

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

CONTENTS **PAGE**

Director's Report

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Peter Meurer	Non-Executive Chairman
Jonathan Murray	Non-Executive Director
John Jetter	Non-Executive Director
Tony Pearson	Non-Executive Director (appointed 21 August 2018)
Darren Townsend	Non-Executive Director (resigned 28 February 2019)

Review of Operations

The Company continues to focus progressing the development and commercialisation of the world-class Ngualla Rare Earth Project into a long term, low cost supplier to the expanding high-tech magnet market.

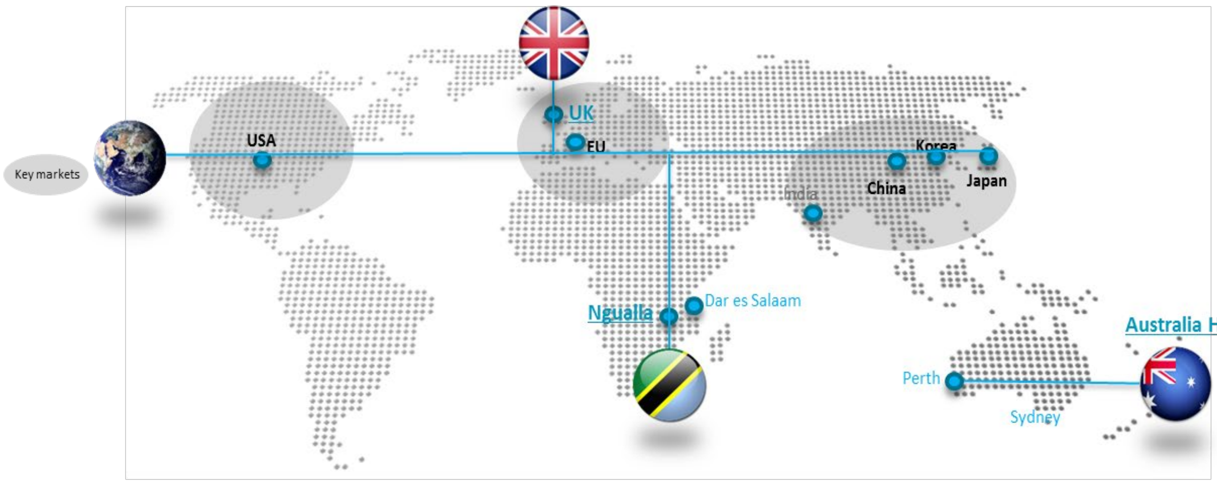


Figure 1: Ngualla Project site locations and target markets

The consolidated entity incurred an operating loss after income tax of $2,747,139 (31 December 2017: $2,199,930) for the half-year ended 31 December 2018.

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

The Ngualla Project Fundamentals

The solid project economics provides support for the Company's focus to progress Ngualla towards production in time for the increased demand for Neodymium and Praseodymium (NdPr) from electric vehicles and include:

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

The financial markets and end users are beginning to realise the important part rare earths and in particular the magnet metals Neodymium and Praseodymium (NdPr) will play in the electric vehicle revolution. NdPr will be a key component with over 95% of drive motors in EVs set to utilise NdPr magnets. Peak is well placed to offer high-quality products from an ethical, fully transparent supply chain solution and with approximately 90% of the Ngualla Project revenue projected to be derived from NdPr.

During the period members of Peak's executive team have visited potential customers in Japan, China and Europe. We are seeing increased interest and engagement during these visits where there is an increasing understanding of the need for companies to secure supplies of material independent of China.

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

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

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

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

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

Figure 2: Ngualla Project production assumptions and projected economics

#Material assumptions are as per BFS and Ore Reserve ASX Announcements of 12 April 2017 except where indicated in this report.

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

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

Permitting and approvals

Tanzania

A Special Mining Licence (SML) application for the Ngualla Rare Earth Project was lodged at the end of August 2017. The Company continues to be very active in its engagement with members of the Tanzanian government and Mining Commission to secure the grant of the SML.

The Tanzanian Mining Commission has confirmed to the Company that they are satisfied with the application and supporting documents received and has recommended the licence for approval to the Minister of Minerals. The Minister is required to seek cabinet approval prior to the SML being granted. The final information submitted to the Commission included a strategy and commitment to explore and potentially develop the other commodities that have previously been identified within the Ngualla licence area. These commodities include Fluorspar, Barite, Niobium and Phosphate. It is the Company's intention to continue exploration on this occurrence following the development of the rare earth operation. Profits from the Rare Earth mine will partly be used to fund this exploration. Infrastructure built for the rare earth mine will assist in making potential other commodity mining operations economic.

In early January 2019 the President of Tanzania, Dr John Magufuli promoted the deputy Minister of Minerals Dotto Biteko to Minister. The Company has an excellent on-going relationship with the new minister from dealing with him in his capacity as deputy minister. Executives of the Company have met with the Minister a number of times since his appointment. The Minister has reassured that his office has received the approved application from the Mining Commission and the planning team of the Ministry is preparing the relevant Cabinet Papers.

United Kingdom – Teesside

All permits for the construction and operation of the Teesside refinery have been received. The final Environmental Permit for the planned rare earth separation refinery in the UK was granted by the Environment Agency in September 2018. As with the planning permission received in May, the environmental permit application met with no objections through the process; the permit has been granted with expected conditions that will be discharged during the normal operation of the plant. The granting of the permit further reinforces the Company's decision to construct the refinery in the UK with its stable and mature regulatory frameworks.

The Teesside refinery is a key differentiator between Peak and other rare earth development companies as Peak is the only current developer who will be able to produce saleable rare earth oxide products in-house, which will enable the Company to sell its products directly to end users and manufacturers. The plant will also significantly add value to the Project as the separated rare earths will command a higher price than a less refined concentrate or mixed carbonate.

Land Option secured for Teesside Refinery

In early July 2018 the Company secured a 2-year option for a 250 year lease on a 19 hectare parcel of land in Teesside for the refinery. The agreement also includes the ability to extend the option for a further 12 months if required.

Located in the Wilton International Site, near the town of Middleborough in the United Kingdom, the site is in a large industrial park offering a "plug and play" option with access to reliable competitively priced power, other utilities and services. Wilton is also adjacent to the 3rd largest deep water port in the UK to which the beneficiated rare earth minerals will be shipped. The site also offers an existing effluent disposal system and is close to a number of solid waste management facilities. The large (19 hectares) size of the parcel of land will allow space for future expansions that the Company is considering which include the doubling of production as well as allowing for potential metal making facilities and acid making plants.

Figure 3: Regional View of the Wilton Site

Tanzania corporate social responsibility programs

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

The construction of two classrooms and a teacher's office at the Itiziro local school were completed and handed over to the community in November at a formal ceremony. The ceremony was attended by the recently appointed Regional Commissioner for Songwe, Brigadier General (retired) Nicodemus Mwangela and other local dignitaries.

Figure 4: From left Itiziro village Chairman, Ngwala ward councillor, Songwe RC, Songwe CCM chair, PRNG CLO, Songwe DC and PRNG commercial manager

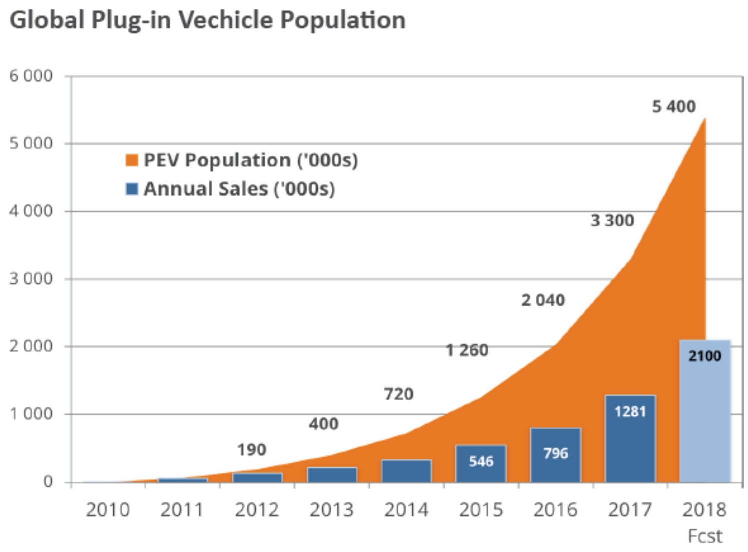
NdPr Market Developments

Peak sees the recent and ongoing developments on the supply and demand side of the industry as a confirmation of our industry and market understanding. On the demand side we see continuous growth in the NdFeB permanent magnets sector supported by the global trend of the electrification of our society and on the supply side, we see that the regulations in China, which is the main global supplier of these products, are tightening.

EV Uptake continues to grow

The final numbers for 2018 are not yet available, but it is clear that the world and China has again had a record breaking year for volume of EV sales. More than 1 million new electric vehicles were sold in China in the first 11 months of 2018, an increase of ~70 percent year-on-year. This is a remarkable accomplishment if we consider that in 2017 a total of 1.2 million electric vehicles were sold globally.

It is especially interesting to see how E-mobility is booming in China particularly if we consider the latest industry announcement anticipates for China an overall drop in vehicle sales in 2018, the first in 28 years. Mr Xin Guobin, vice-minister of China's Ministry of Industry and Information Technology (MIIT) said that China's automotive industry is shifting from superfast expansion to slow but quality development.



Source: EVvolumes.com

Continued Chinese Compliance Activity

During the period China continued its environmental activities with a renewed compliance program carried out in the southern Jiangxi Province region of China focused on rare earth operations. In addition, the Chinese government continues its efforts to crack down on illegal mining activities. The initiative is targeted at the southern ion-type rare earth mines which are known for being the main source for illegally mined material. After Baotou, Jiangxi region is one of the biggest rare earth Mining hubs in China. It is expected that these government activities may also impact indirectly other operations in the Fujian and Sichuan areas.

The Ministry of Industry and Information Technology (MIIT) also published an update of their rare earth guidelines in which they confirmed that they will step up efforts to eliminate illegal mining, production and smuggling of rare earth materials (main focus Myanmar) and will continue to encourage further downstream integration of the industry.

The MIIT made clear that the overall regulation and supervision in the industry had improved, but illegal mining, smuggling and production continued to disrupt "market order" and damage the interests of legitimate enterprises. In 2019 MIIT will focus on preventing and stopping any illegal mining and illegal recycling activities to ensure that unauthorized practice and facilities are eliminated. This is important news as the recycling sector is a known channel for illegal material and including this sector under the supervision of the government represents a major change for this part of the rare earth industry. MIIT also plans to establish a "traceability system" to prevent buyers from using illegal materials and to ensure that producers do not exceed the governmental established quota.

The big 6 Chinese State owned entities (SoE) are actively executing the downstream integration governmental agenda. Recently several of them have announced various investments in the E-mobility area and in particular in the permanent magnet motor industry sector.

Events Subsequent to Reporting Date

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

Auditor’s Independence Declaration

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

Peter Meurer
Chairman

Dated this 8th day of March 2019

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Peak Resources Limited

As lead auditor for the review of the half-year financial report of Peak Resources Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Darryn Hall

Partner
8 March 2019

DH:DA:PEAK:041

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Half Year Ended 31 December 2018

	Notes	Consolidated 31 December 2018 $	 31 December 2017 $
Interest received		62,631	12,650
R&D rebate received		-	561,907
Other income		-	1,005
		62,631	**575,562**
Employee benefits expenses		(474,092)	(354,233)
Share based payments expenses		(61,526)	(114,000)
Depreciation and amortisation expenses		(3,568)	(6,600)
Borrowing costs		(933,587)	(847,348)
Administrative and other costs	4	(534,470)	(107,107)
Technical feasibility costs	4	(59,422)	(17,098)
Share of loss of associate	3	(743,105)	(1,329,106)
		(2,809,770)	**(2,775,492)**
Loss before income tax expense		**(2,747,139)**	**(2,199,930)**
Income tax expense		-	-
Net loss for the period		**(2,747,139)**	**(2,199,930)**
Other comprehensive income			
Items which may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(93,793)	21,354
Group's share of associate's other comprehensive (loss)/ income		1,496,345	(491,093)
Other comprehensive (loss)/income for the period net of tax		**1,402,552**	**(469,739)**
Total comprehensive loss for the period		**(1,344,587)**	**(2,669,669)**
Loss per share (in cents)			
Basic and diluted loss per share		(0.17)	(0.43)

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	Consolidated As at 31 December 2018 $	Consolidated As at 30 June 2018 $
ASSETS			
Current assets			
Cash and cash equivalents		4,122,054	6,468,748
Trade and other receivables		27,247	63,487
Other financial assets		30,000	30,000
Other assets – due from associates measured at amortised cost		-	1,526,145
Other assets – due from associates measured at fair value through profit and loss		797,472	-
Prepayments		42,737	12,275
Total current assets		**5,019,510**	**8,100,655**
Non-current assets			
Property, Plant and equipment		6,000	6,731
Investment in Associate	3	32,406,801	31,114,813
Investments		8,000	8,000
Other assets		127,254	127,254
Total non-current assets		**32,548,055**	**31,256,798**
Total assets		**37,567,565**	**39,357,453**
LIABILITIES			
Current liabilities			
Trade and other payables		288,493	345,809
Provisions		175,065	160,451
Loans and borrowings – due to other parties	5	1,929,839	-
Total current liabilities		**2,393,397**	**506,260**
Non-current liabilities			
Other payables		1,693,816	870,170
Loans and borrowings – due to associate	5	4,998,603	6,763,386
Total non-current liabilities		**6,692,419**	**7,633,556**
Total liabilities		**9,085,816**	**8,139,816**
Net Assets		**28,481,749**	**31,217,637**
EQUITY			
Contributed Equity	6	77,223,630	77,217,398
Reserves	7	5,483,059	4,042,304
Accumulated losses		(54,224,940)	(50,042,065)
Total equity		**28,481,749**	**31,217,637**

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December 2018

	Notes	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
OPERATING ACTIVITIES			
Payments to suppliers and employees		(813,491)	(867,137)
Interest received		68,889	7,597
R&D tax refund received		-	562,071
Borrowing costs paid		(170,017)	(653,195)
Cash used in operating activities		**(914,619)**	**(950,664)**
INVESTING ACTIVITIES			
Acquisition of Property, plant and equipment		(2,837)	(1,728)
Proceeds from sale of non-current assets		-	1,743
Investment in associate		(1,177,837)	(1,708,427)
Cash used in investing activities		**(1,180,674)**	**(1,708,412)**
FINANCING ACTIVITIES			
Proceeds from issue of equity shares		6,232	5,537,276
Cost of issuing equity shares		-	(424,933)
Repayment of borrowings		(172,650)	(1,827,995)
Borrowings/loans from/to associate		(67,446)	(66,031)
Cash used in financing activities		**(233,864)**	**3,218,317**
Net decrease in cash and cash equivalents held		(2,329,157)	559,241
Balance at the beginning of the year		6,468,748	2,125,680
Effect of foreign currency translation		(17,537)	133,290
Balance at the end of the half year		**4,122,054**	**2,818,211**

The statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half Year Ended 31 December 2018

	Consolidated				
	Contributed Equity	**Share based payment reserve**	**Foreign Currency translation reserve**	**Accumulated losses**	**Total**
	$	**$**	**$**	**$**	**$**
At 1 July 2017	65,251,219	2,037,316	525,503	(45,138,841)	**22,675,197**
Loss for the period	-	-	-	(2,199,930)	**(2,199,930)**
Other comprehensive income	-	-	21,354	-	**21,354**
Group's share of associate's other comprehensive loss	-	-	(491,093)	-	**(491,093)**
Total comprehensive loss for the period	**-**	**-**	**(469,739)**	**(2,199,930)**	**(2,669,669)**
Equity Issued	5,537,276	-	-	-	**5,537,276**
Transaction costs	(424,933)	-	-	-	**(424,933)**
Share based payments	-	114,000	-	-	**114,000**
At 31 December 2017	**70,363,562**	**2,151,316**	**55,764**	**(47,338,771)**	**25,231,871**
At 1 July 2018	77,217,398	2,497,108	1,545,196	(50,042,065)	**31,217,637**
Effect of adoption of AASB 9	-	-	(23,323)	(1,435,736)	**(1,459,059)**
At 1 July 2018 Restated	**77,217,398**	**2,497,108**	**1,521,873**	**(51,477,801)**	**29,758,578**
Loss for the period	-	-	-	(2,747,139)	**(2,747,139)**
Other comprehensive loss	-	-	(93,793)	-	**(93,793)**
Group's share of associate's other comprehensive income	-	-	1,496,345	-	**1,496,345**
Total comprehensive loss for the period	**-**	**-**	**1,402,552**	**(2,747,139)**	**(1,344,587)**
Equity Issued	6,232	-	-	-	**6,232**
Share based payments	-	61,526	-	-	**61,526**
At 31 December 2018	**77,223,630**	**2,558,634**	**2,924,425**	**(54,224,940)**	**28,481,749**

The statement should be read in conjunction with accompanying notes

NOTES TO THE FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2018

1 Corporate information

The financial report of Peak Resources Limited for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 6 March 2019.

Peak Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The address of its registered office and principal place of business is disclosed in the introduction to the Annual Report of 30 June 2018.

The principal activity of the Group during the year was the investment in exploration and evaluation 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 2018 and any public announcements made by Peak Resources Limited and its subsidiary during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

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

b) Basis of preparation

The half-year report has been prepared on an accruals basis and is based on historical cost, except for assets held for sale carried at the lower of the carrying amount and fair value less cost to dispose. 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.

c) Basis of consolidation

The consolidated financial statements of Peak Resources Limited comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. 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 economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end.

2 Statement of significant accounting policies (continued)

c) Basis of consolidation (continued)

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

d) Investment in associates

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

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit and loss.

e) Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018 with the exception of the accounting described in Note 3.

f) Going Concern

The Group has net current assets of $2,626,113 as at 31 December 2018 (30 June 2018 $7,594,395), inclusive of cash of $4,122,054 (30 June 2018 $6,468,748), and for the half-year ended 31 December 2018 incurred an operating cash outflow of $914,619 and investing cash outflow of $1,180,674 (half-year ended 31 December 2017 operating cash outflow of $950,664 and investing cash inflow of $1,708,412 respectively).

Based on the Group's cashflow forecasts, as the Group works towards the finalisation of permitting and the commencement of development activities for the Ngualla project, whilst also managing its current debt obligations to its fellow investors in the project ($1,929,839 due to Appian in the next twelve months at 31 December 2018), 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, there is a material uncertainty whether it will 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 interim financial statements. 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.

g) Adoption of new and revised accounting standards

The accounting policies adopted in the preparation of the half-year report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new standards and interpretations effective as of 1 July 2018. The impact of the adoption of the new accounting standards on the Group's consolidated financial statements are detailed below.

2 Statement of significant accounting policies (continued)

Impact of new standards applied for the first time

AASB 15 Revenue from contracts with customers (AASB 15)

AASB 15, the Australian equivalent of IFRS 15 Revenues from contracts with customers, supersedes AASB 111 Construction Contracts (IAS 11), AASB 118 Revenue (IAS 18) and related Interpretations and applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 using the modified retrospective method of adoption. There was no impact on the Group in adopting AASB 15. Based on the nature and status of the investments in projects, the Group does not have any direct contracts with customers and accordingly has no revenue impacted by the Standard. The Group has considered the adoption of the Standard on the accounting policies applied by its investment in the associate company (Peak African Minerals) in earning its revenues and accordingly the share of profit or loss of the investment in associate recognised by the Company. In undertaking that assessment, it was noted that the Standard had no impact on the recognition or measurement of revenue earned in the current or comparative periods. The Group has set out below its accounting policy with respect to the sale of rare earth products by the associate company under AASB15.

Revenue accounting policy

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled. Revenue from the sale of products is recognised as and when control of the asset is transferred to the customer, which is typically on delivery of the product.

AASB 9 Financial Instruments (as revised in 2014) (AASB 9)

AASB 9, the Australian equivalent to IFRS 9 replaces AASB 139 Financial Instruments: Recognition and Measurement (IAS 39) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

AASB 9 and the related amendments to other accounting standards introduced three significant areas of change from AASB 139 Financial Instruments: Classification and Measurement:

• a new model for classification and measurement of financial assets and liabilities;

• a new expected loss impairment model for determining impairment allowances; and

• a redesigned approach to hedge accounting.

The standard has been applied as at 1 July 2018 without adjusting comparatives. The impact on elements of the statement of financial position (increase/(decrease)) as at 1 July 2018:

	Consolidated	
	1 July 2018 $ RESTATED	**30 June 2018 $**
ASSETS		
Current assets		
Other assets - due from associates measured at amortised cost[1]	-	1,526,145
Other assets - due from associates measured at fair value[1]	706,174	-
Total current assets	**7,280,684**	**8,100,655**
Non-current assets		
Investment in associate[2]	30,475,725	31,114,813
Total non-current assets	**30,617,710**	**31,256,798**
Total assets	**37,898,394**	**39,357,453**
Net assets	**29,758,578**	**31,217,637**

2 Statement of significant accounting policies (continued)

EQUITY		
Reserves	4,018,981	4,042,304
Accumulated losses	(51,477,801)	(50,042,065)
Total equity	**29,758,578**	**31,217,637**

Classification and measurement

Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets (whether to hold the financial assets in order to collect contractual cash flows); and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business models was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 resulted in the following changes:

[1] The loan receivables due from associate companies PRNG Minerals Limited and Peak African Minerals is now classified at fair value through profit and loss. Accordingly, the statement of financial position as at 1 July 2018 was restated, resulting in:

- decrease to the value of the loan receivables from associates of $819,971 and reclassifying these loans as being measured at fair value through profit and loss;
- increase in accumulated losses amounting to $796,647;
- decrease in reserves amounting to $23,324;
- overall decrease to equity totalling $819,971.

The loan receivables due to the Group's associate company, Peak African Minerals (PAM) is now also classified at fair value through profit and loss. Accordingly, the statement of financial position of PAM as at 1 July 2018 was restated, resulting in:

- A decrease to the value of the loan receivable from associates of $852,117 (USD660,470) and reclassifying it as being measured at fair value through profit and loss.
- an increase in accumulated losses amounting to $852,117 (USD660,470)

[2]The Group's 75% interest in PAM is accounted for using the equity method in the consolidated financial statements and this restatement results in the Group's investment in associate decreasing by AUD$639,088 (USD495,352) with a corresponding increase in the Group's share of loss in PAM, being reflected in the Group's accumulated losses.

Impairment

The adoption of AASB 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of AASB 9, the Group did not recognise additional impairment on its financial assets as below:

- For trade receivables, the Group applies a simplified approach in calculating ECLs. As at the date of transition, the ECL has been assessed as insignificant.
- For other financial assets, the ECL is insignificant as this is held with highly-rated financial institutions

There are no changes to the classification and measurement for the Group's financial liabilities.

3 INVESTMENTS IN ASSOCIATES

The Group has a 75% interest in Peak African Minerals (PAM), a company domiciled in Mauritius that owns 100% of the shares in PR NG Minerals Limited ("PRNG"), the 100% owner of the Ngualla Project in Tanzania. The Group's interest in PAM is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in PAM:

	$AUD 31 December 2018	$AUD 30 June 2018
Current Assets	59,133	78,330
Non-Current Assets	51,365,870	49,329,168
Current Liabilities	63,541	164,454
Non-Current Liabilities	9,005,141	8,530,849
Equity	**42,356,321**	**40,712,195**
Income	759,121	531,112
Administrative costs	(54,925)	(105,959)
Employee benefits	(20,894)	(143,038)
Depreciation and amortisation expenses	(12,317)	(35,710)
Other expenses	(351,472)	(305,758)
Project costs	(1,014,283)	(2,639,012)
Finance costs	(3,503)	(5,312)
Fair value adjustments to other assets measured at fair value through profit or loss	(292,534)	-
Loss before income tax expense	**(990,807)**	**(2,703,677)**
Income tax expense	-	-
Loss for the period	**(990,807)**	**(2,703,677)**
Other comprehensive (loss)/income	1,995,127	1,424,359
Total comprehensive (loss)/income for the period	**1,004,320**	**(1,279,318)**
Group's share of loss for the period	**(743,105)**	**(2,027,758)**
Group's share of movement of other comprehensive (loss)/income for the period	**1,496,345**	**1,068,269**
Peak Resources investment in associate:		
Opening balance	31,114,813	29,482,222
Retained Earnings adjustment on adoption of IFRS 9	(639,088)	-
Opening balance (Restated)	**30,475,725**	**29,482,222**
Less Group's share of loss in the associate for the period	(743,105)	(2,027,758)
Add Group's share of movement in other comprehensive income in the associate for the period	1,496,345	1,068,269
Add Peak's additional equity investment during the period	1,177,836	2,592,080
Investment in associate	**32,406,801**	**31,114,813**
Classified as in the statement of financial position:		
Investment in associate	**32,406,801**	**31,114,813**

4 LOSS BEFORE INCOME TAX EXPENSE

	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Administrative and other costs		
- Corporate and compliance	(43,749)	(41,776)
- Occupancy expenses	(31,810)	(80,602)
- Other expenses	(92,491)	(62,695)
- Travel expenses	(90,267)	(33,881)
- Unrealised FX gain/(loss)	(276,153)	111,847
Technical feasibility costs	(59,422)	(17,098)

5 LOANS AND BORROWINGS

	Consolidated 31 December 2018 $	Consolidated 30 June 2018 $
Current - Loans and borrowings		
Appian loan facility - USD principal and capitalized interest $1,504,768	1,929,839	-
Total Current - Loans and borrowings	**1,929,839**	**-**
Non-current - Loans and borrowings		
Working capital loan facility – Peak African Minerals	4,998,603	4,756,887
Appian loan facility	-	2,006,499
Total Non-current - Loans and borrowings	**4,998,603**	**6,763,386**

Current – Appian loan facility – On 20 September 2016 Appian advanced A$4,179,828 (US$3,145,739) under a full draw down of a 3 year loan facility. The loan is denominated in US$ with interest of 15% per annum calculated daily and capitalised at the end of each calendar quarter, payable at the time of the loan repayment. US$227,027 was repaid or offset during the half-year period.

Non-current – majority owned associate company Peak African Minerals has provided a working capital loan facility of up to US$4,209,317 of which the facility is deemed fully drawn down at the end of the financial year. The facility is repayable the earlier of 29 March 2021 or on the commencement of commercial production from the Ngualla project. Interest accrues at 8% per annum until repayment.

6 CONTRIBUTED EQUITY

	Issue Date	Nos.	$
Balance at 30 June 2017		**477,455,131**	**65,251,219**
PEK placement @ 4c per share	15-Sep-17	30,625,000	1,225,000
PEK placement @ 4c per share	25-Sep-17	39,375,000	1,575,000
PEK 1:8 Entitlement Issue @ 4c per share	27-Oct-17	50,056,627	2,002,265
PEK 1:8 Entitlement Issue @ 4c per share	2-Nov-17	18,375,264	735,011
PEKOB 6c Option Conversions	27-Feb-18	100	6
PEK placement @ 4c per share	3-May-18	86,000,000	3,440,000
PEK placement @ 4c per share	21-Jun-18	97,264,889	3,890,596
Equity issue costs			(901,699)
Balance at 30 June 2018		**799,152,011**	**77,217,398**
PEKOB 6c Option Conversions	1-Nov-18	103,858	6,232
Equity Issue Costs		-	-
Balance at 31 December 2018		**799,255,869**	**77,223,630**

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

No option issues were made during the period:

103,858 PEKOB listed options exercisable at $0.06 were exercised on 1 Nov 2018.

81,111,930 PEKOB listed options exercisable at $0.06 expired unexercised on 1 Nov 2018.

Options on issue at 31 December 2018:

Options over ordinary shares	Date of Issue	Nos	Status	Exercise Price	Expiry Date
PEKOC listed options	21-Jun-18	61,088,247	Vested	$0.060	14/06/2020
Unlisted Options	27-Feb-18	4,000,000	Vested	$0.060	27/02/2021
Unlisted Options	16-Jan-18	11,750,000	Vested	$0.065	16/01/2021
Unlisted Options	21-Jun-18	16,000,000	Vested	$0.05	21/06/2021
Unlisted Options	21-Jun-18	14,000,000	Unvested	$0.10	21/06/2022
Unlisted Options	21-Jun-18	30,000,000	Unvested	$0.15	21/06/2023
Unlisted Options	21-Jun-18	9,000,000	Vested	$0.065	14/06/2021
Balance at 31 December 2018		**145,838,247**	**Vested & unvested**	**$0.05 -$0.15**	**1/11/2018 - 21/06/2023**

7 RESERVES

	Share based payment reserve	Foreign Currency translation reserve	Total
	$	$	$
At 30 June 2017	**2,037,316**	**525,503**	**2,562,819**
Share based payment made in 2018	459,792	-	459,792
Group's share of associates FCTR	-	1,068,269	1,068,269
Exchange difference on translation of foreign operations	-	(48,576)	(48,576)
At 30 June 2018	**2,497,108**	**1,545,196**	**4,042,304**
30 June 2018 FCTR adjustment on IFRS 9 adoption	-	(23,323)	**(23,323)**
At 30 June 2018 Restated	**2,497,108**	**1,521,873**	**4,018,981**
Share based payments made	61,526	-	**61,526**
Group's share of associate's FCTR	-	1,496,345	**1,496,345**
Exchange difference on translation of foreign operations	-	(93,793)	**(93,793)**
As at 31 December 2018	**2,558,634**	**2,924,425**	**5,483,059**

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.

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 are 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 FINANCIAL INSTRUMENTS

The Group, upon adoption of AASB 9 *Financial Instruments*, have reclassified loans to associates from “Other assets – due from associates measured at amortised cost” to “Other assets – due from associates measured at fair value through profit or loss”. The fair values of these financial assets have been estimated using discounted cashflows with significant unobservable inputs at each reporting date. (level 3 of the fair value hierarchy). Details are provided in note 2.

The carrying amounts of other financial assets and financial liabilities recorded approximate their fair values.

10 CONTINGENT LIABILITIES

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

11 EVENTS SUBSEQUENT TO REPORTING DATE

There were no subsequent events to 31 December 2018 that have a material impact on the financial statements.

DIRECTORS' DECLARATION

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

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

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

b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year then ended.

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

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

On behalf of the Directors

Peter Meurer
Chairman

Dated this 8th day of March 2019

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent Auditor's Review Report to the Members of Peak Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Peak Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration.

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

a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

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

Emphasis of Matter – Material Uncertainty Related to Going Concern

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Building a better working world

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

Independence

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

Ernst & Young

Darryn Hall
Partner
Perth
8 March 2019

DH:DA:PEAK:040