

Revised Scoping Study delivers lower costs for Ngualla

Peak Resources Limited (Peak: ASX:PEK; OTCQX:PKRLY), is pleased to announce reductions in both operating and capital costs at its 100% owned Ngualla Rare Earth Project in Tanzania.

Peak has updated the December 2012 Scoping Study and preliminary economic assessment to reflect the significant improvements in costs and option to increase production as a result of recent positive beneficiation test work results and a higher grade and increased Mineral Resource for the weathered Bastnaesite Zone at Ngualla.

Highlights

The current May 2013 revision to the December 2012 Scoping Study shows further improvements to project economics including:

- **Operating Cost of \$10.18 per kg REO* equivalent product reduced 8% from \$11.05**
- **Lower Capital Cost of US\$373 million reduced 7% from \$400 million (excluding contingency)**
- **Higher mine grade of 5.35% REO for initial 25 years production increased from 4.35%**
- **Lower strip ratios of 0.89 for the first 25 years of mining down from 3.34, reducing mining costs by 44% per kg REO produced**
- **Reduced sulphuric acid consumption by 45% in the hydrometallurgical (leach recovery) process**
- **Extended mine life from 25 years to in excess of 50 years from the weathered Bastnaesite Zone**

These enhanced results deliver an improved NPV₁₀ and IRR of US\$1.768 billion and 60%, on the December 2012 10,000 tonne per annum base case scenario

The option to double production rates to 20,000tpa REO delivers NPV₁₀ of US\$3.833 billion and IRR of 77%

Peak Executive Chairman Alastair Hunter said *"This update to the Scoping Study and preliminary economic assessment quantifies the excellent results achieved from the improved resource model and beneficiation test work released in April this year. The update further confirms Ngualla's position as a low cost operation, with the lowest capital requirement of all emerging rare earth producers."*

*REO total rare earth oxide including yttrium

Table 1: Physical and Financial Summary Scoping Study Comparisons

	December 2012	Revised	Revised (20kt Production)
Average Annual Mine Production (after ramp up)	325,000 tonnes	333,000 tonnes	828,000 tonnes
Life of Mine (LoM)	25 years	>50 Years	25 years
Average Grade (LoM)	4.35% REO	5.35% REO	4.44% REO
Average Grade for first 5 years	4.64% REO	5.80% REO	5.55%
Average Stripping Ratio (LoM)	3.34	0.89	1.62
Average Stripping Ratio for first 5 Years	0.73	1.82	1.36
Total REO Recovery	71%	57%	57%
Average Annual Equivalent REO Product (after Ramp-up)	Separated REO = 6,347 tonnes CeO ₂ Concentrate = 3,633 tonnes Total REO Production = 9,980 tonnes	Separated REO = 6,647 CeO ₂ Concentrate = 3,762 Total REO Production = 10,409	Separated REO = 13,648 CeO ₂ Concentrate = 7,725 Total REO Production = 21,372
Capital Costs (Excluding Contingency)	US\$ 400M	US\$373M	US\$671M
Average (LoM) Cash Cost (FOB), Excluding Amortisation, Depreciation, and Royalties. (C1 Cost)	US\$ 11.05 / kg	US\$10.18 / kg	US\$10.33 / kg
Average (C1 Cost) for first 5 years of full production	US\$ 10.09 / kg	US\$ 9.92 / kg	US\$ 9.56 / kg
In-Ground Basket Price (FOB)	US\$38.84 / kg	US\$38.84 / kg	US\$38.84 / kg
Revenue (FOB)			
Separated REO Product	US\$ 52.33	US\$ 52.33	US\$ 52.33
Cerium Concentrate	US\$ 8 / kg	US\$ 8 / kg	US\$ 8 / kg
Average Annual Revenue (After Ramp-up)	US\$ 361 million	US\$ 378 million	US\$ 776 million
Discount Rate Applied	10%	10%	10%
IRR (Pre-tax and Royalties)	53 %	60%	77%
NPV (Pre-tax and Royalties)	US\$ 1.571 billion	US\$1.768 billion	US\$3,833 billion
Payback from production start-up	In 3rd Year	In 2nd Year	In 2nd Year

Technical Report

Mineral Resource

In April this year Peak announced an improved Mineral Resource estimate with infill drilling increasing the average grade and the amount of weathered mineralisation in the Bastnaesite Zone. This mineralisation is the high grade, near surface central portion of the Ngualla Mineral Resource amenable to the proven, low cost simple sulphuric acid processing route and targeted for production in the initial 25 years of the operation and beyond (Figure 2).

Using a lower cut-off grade of 3.0% the Mineral Resource estimate for the Bastnaesite Zone weathered mineralisation is 21.6 million tonnes at 4.54% REO (see Table 2 for classification details). This is an increase from 8.2 million tonnes at 4.35% in the mining schedule defined by the December 2012 Scoping Study.

Table 2: Classification of Mineral Resources for the Bastnaesite Zone weathered mineralisation at a 3.0% cut off grade.

Lower cut – off grade	JORC Resource Category	Tonnage (Mt)	REO (%)*	Contained REO tonnes
3.0% REO	Measured	19	4.53	840,000
	Indicated	2.9	4.62	140,000
	Inferred	0.11	4.10	4,000
	TOTAL	21.6	4.54	982,000

*REO (%) includes all the lanthanide elements plus yttrium oxides. Figures above may not sum precisely due to rounding. The number of significant figures does not imply an added level of precision.

The new Mineral Resource also confirms the high ratio of the five Critical rare earths such as neodymium in the deposit (US DoE, 'Critical Materials Strategy' report, December 2011). The combination of Ngualla's large size, high total grades, and high Critical rare earths grades distinguishes Ngualla from other rare earth development projects, as is graphically illustrated by Figure 1.

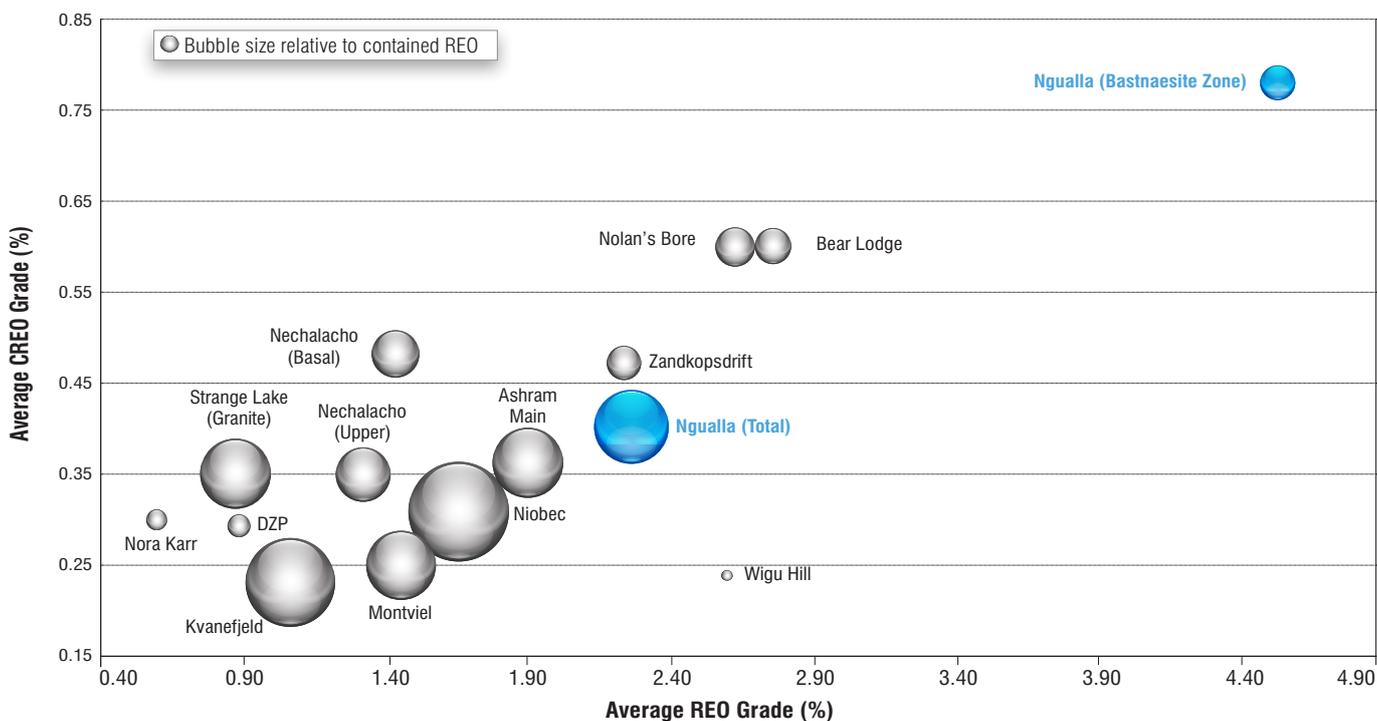


Figure 1: Globally significant rare earth development projects - critical rare earths have Ngualla 'out side the pack'.

Mining

Using the improved Mineral Resource model Peak has revised the mine optimisation undertaken for the Scoping Study. This optimisation has resulted in a new mining schedule, revised pit shells, and a doubling of the mine life from 25 years in the initial study to 50 years. The revised pit shell for the initial 25 years of production at 10,000tpa contained REO is illustrated in Figure 3.

The larger size and higher average grade of the Mineral Resource has a positive and compounding impact on the average grades of the pit shells produced from the pit optimisation process. In practical terms the optimisation has identified higher grade areas of the deposit that can be mined earlier, translating into an average mined grade of 5.80% REO for the first five years of production, and 5.35% REO for 25 years. This compares to 4.64%, and 4.35% REO used in the December 2012 Scoping study design.

As there is a direct correlation between grade and operating costs of the processing plant this significant improvement in grade has reduced total operating costs.

The larger resource has also resulted in a lower strip ratio down from 3.34 to 0.89 for the first 25 years of mining. The improvements reduce mining costs by 44% per kg of contained REO production compared to the December 2012 Scoping Study estimates.

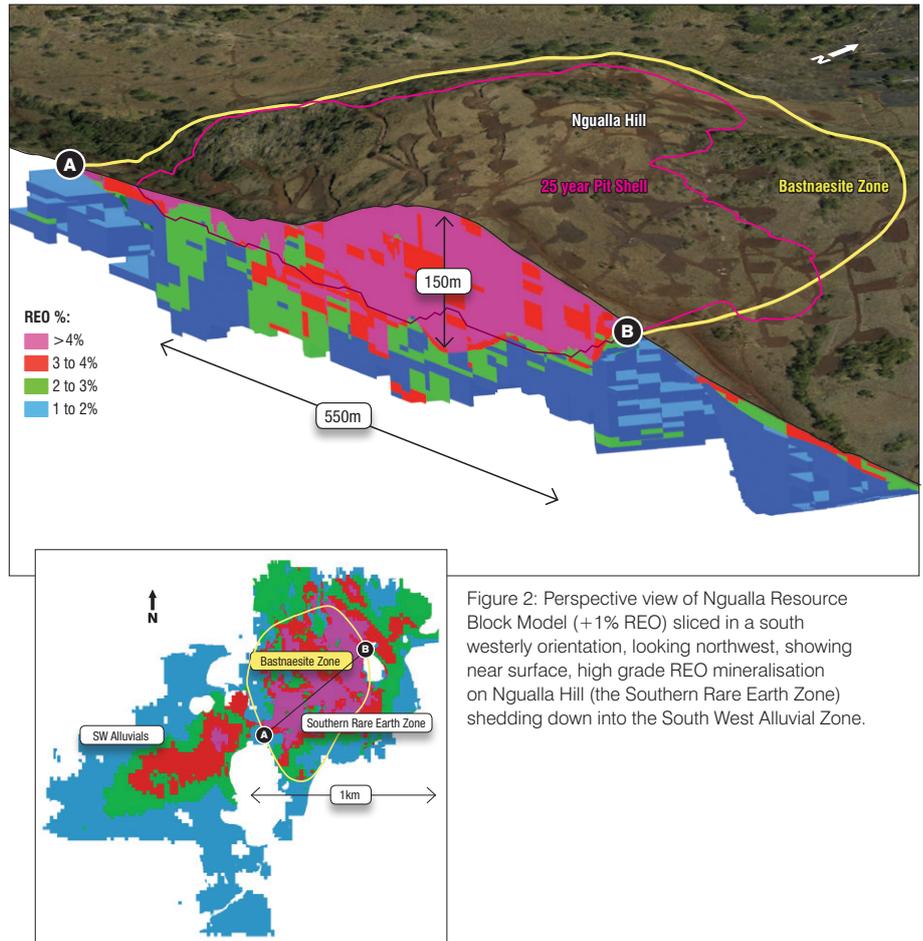


Figure 2: Perspective view of Ngualla Resource Block Model (+1% REO) sliced in a south westerly orientation, looking northwest, showing near surface, high grade REO mineralisation on Ngualla Hill (the Southern Rare Earth Zone) shedding down into the South West Alluvial Zone.

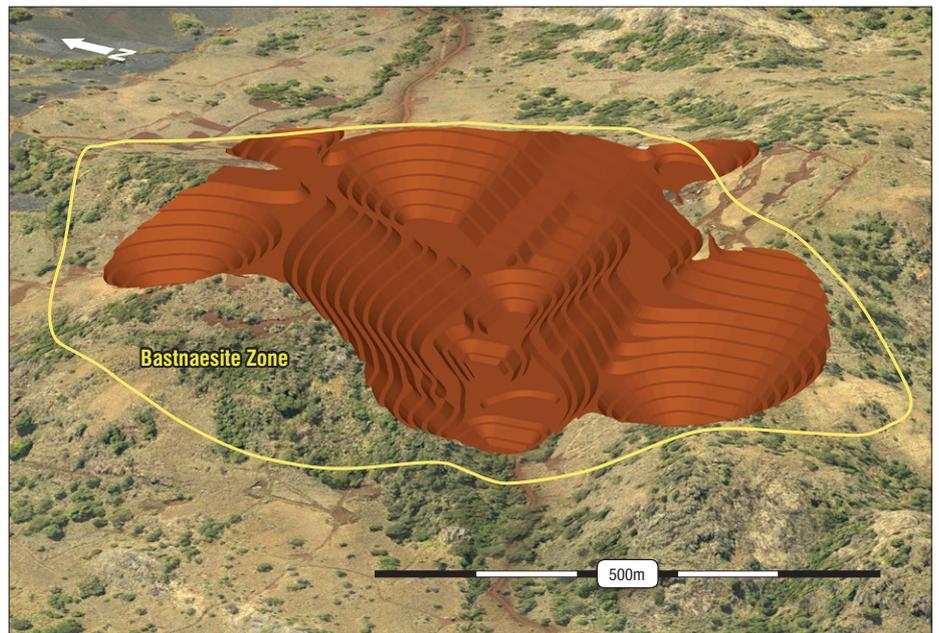


Figure 3: Ngualla 25 year pit shell and aerial photograph draped on topography, looking northeast

Beneficiation

The process plant at Ngualla will comprise a front end beneficiation circuit which includes crushing, milling, magnetic separation and multiple stage flotation (Figure 4). The latest beneficiation test-work reported in the ASX release of 6th of March 2013 has confirmed that the physical separation will increase the grade of the feed over 3 fold, thereby reducing the mass of mineralisation to the hydrometallurgical (leach recovery) process. This significant 78% mass rejection reduces both capital and operating costs by:

- reducing the size of the acid leach stage of the hydrometallurgical plant and associated sulphuric acid plant by approximately 45%, and
- substantially lowering sulphuric acid requirements also by 45% - the major contributor to reagent and operating costs.

Lower Operating Cost

Higher grades from the new Mineral Resource model and mining optimisation studies along with improved upgrades through the beneficiation process has resulted in a substantial reduction in the overall operating cost from US\$11.05 to US\$10.18 per kg of contained REO product as compared to the December 2012 Scoping Study.

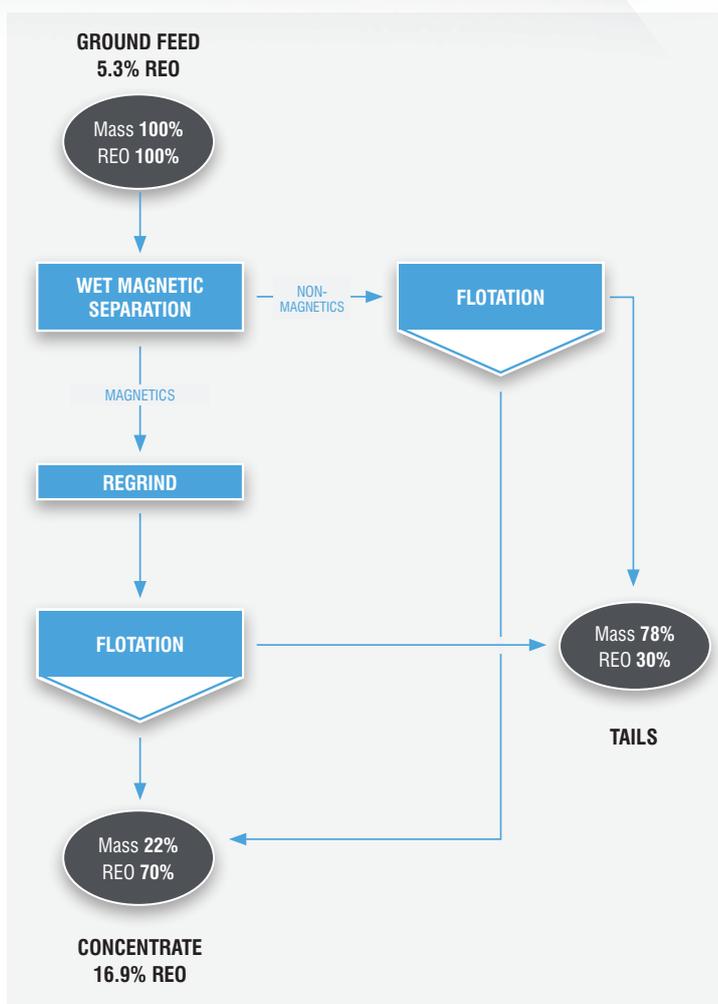


Figure 4: Summary of beneficiation testwork on weathered bastnaesite mineralisation

The large reductions in processing costs in the leach recovery phase of the hydrometallurgical process are offset to some degree by the requirement to now generate additional power on site (Table 3). This is due to the smaller amount of acid required and thus the smaller amount of power generated as a by-product of the on-site sulphuric acid plant.

Table 3: Operating Costs by Area

Area	Scoping Study (December 2012) US\$ / kg REO product	Updated Scoping Study (May 2013) US\$ / kg REO product
Mine	0.63	0.35
Beneficiation	1.10	1.16
Hydrometallurgical (Recovery) Process	5.74	4.07
Separation	2.01	2.06
Tailings	0.22	0.22
Infrastructure (including Power Cost)	0.81	1.75
Product Transport	0.55	0.58
TOTAL	11.05	10.18

Ngualla's estimated operating cost per kilogramme of contained REO product compares favourably against other rare earth projects, as shown graphically in Figure 5.

Opex Comparisons, US\$/kg REO Product

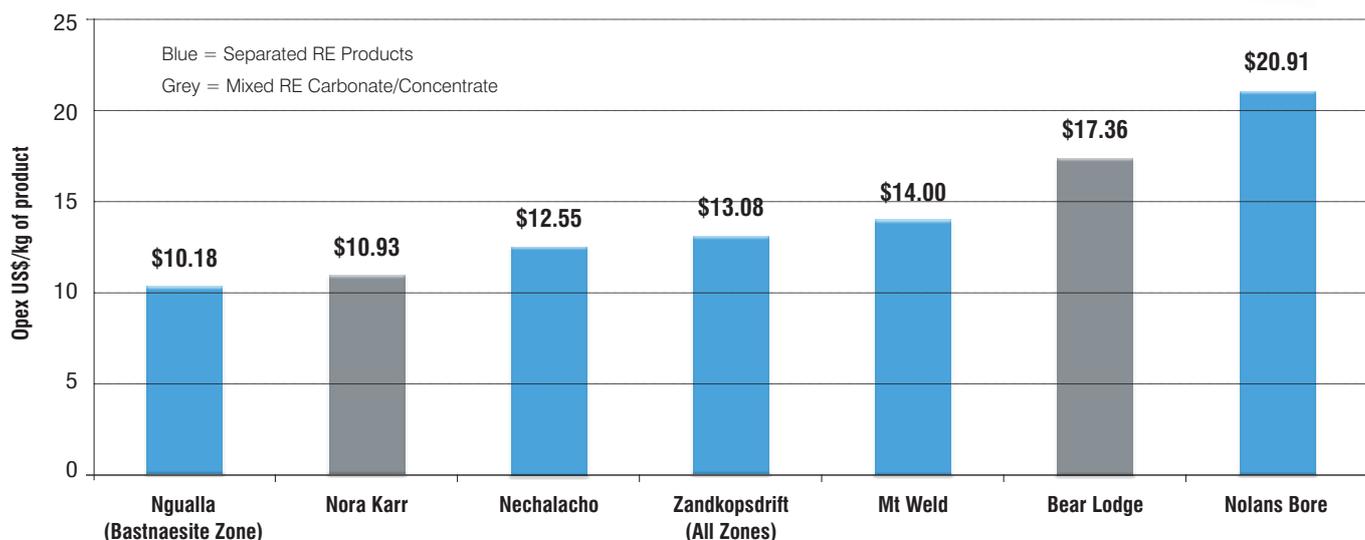


Figure 5: Operating cost comparisons per kg of contained REO product of rare earth projects. Source: Company filings.

Lower Capital Cost

The smaller hydrometallurgical and associated sulphuric acid plant now required as a result of the improved beneficiation and higher mining grades have led to a saving of US\$27 million in the estimated capital expenditure for the 10,000tpa project. The revised capital requirement excluding any contingency is now estimated at US\$373 million down from US\$400 million in the December 2012 Scoping Study. A breakdown of the estimated capital cost for the project is shown in Table 4 below.

Table 5: Capital cost estimates by area, 10,000tpa contained REO production.

Area	Scoping Study (December 2012) \$US Million	Updated Scoping Study (May 2013) \$US Million
Mine	8	8
Beneficiation	20	23
Hydrometallurgical (Recovery) Process	48	41
Sulphuric Acid Plant	59	43
Separation	64	64
Tailings Facility	28	28
Site Infrastructure	50	55
Design Management & Construction	122	110
TOTAL	400	373

Ngualla's estimated capital cost compares favourably against other rare earth projects, as shown graphically in Figure 6.

Capex Comparisons, US\$M

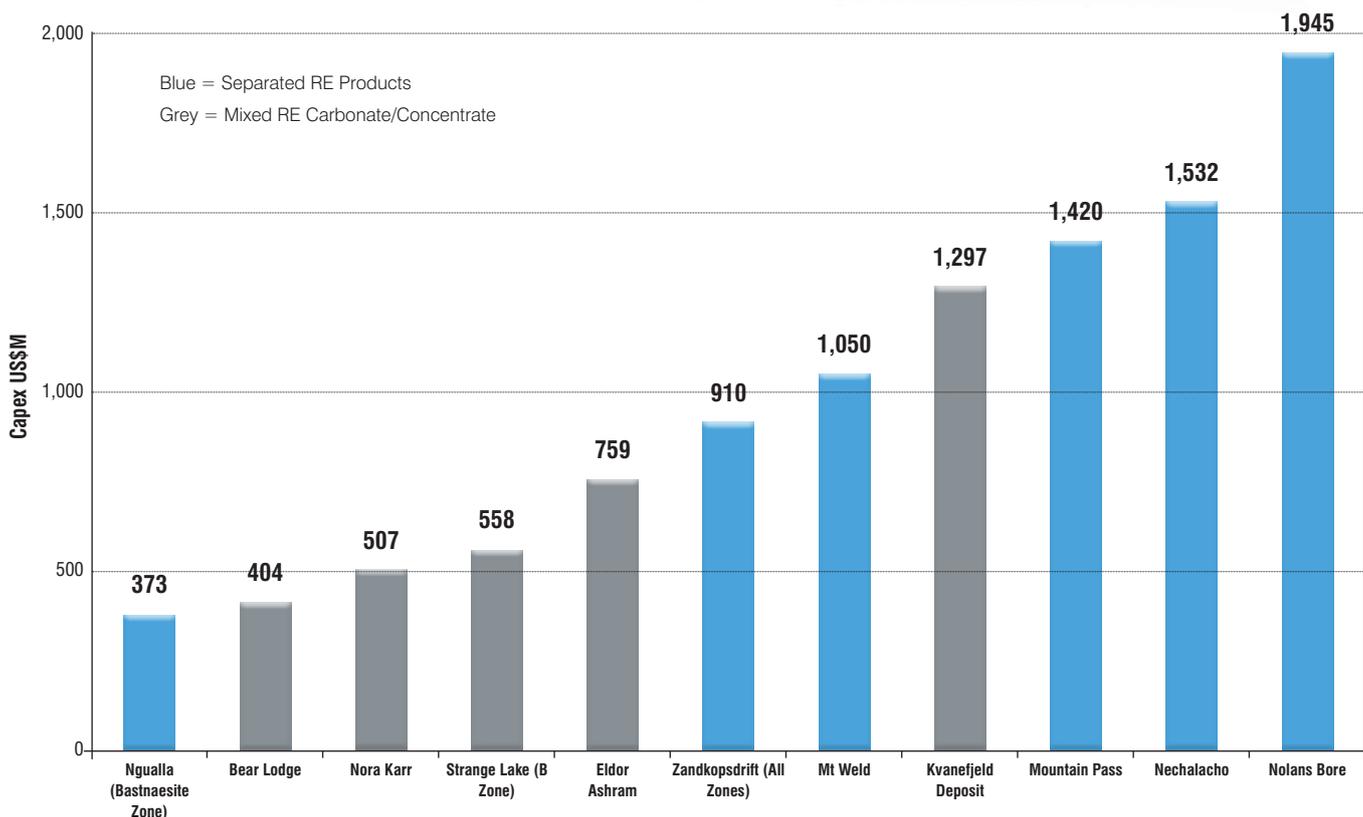


Figure 6: Capital cost comparisons of major rare earth development and production projects.

Revised Economic Assessment

The improved operating and capital costs have a significant impact on the before tax and royalty NPV and IRR for the project. Using the same assumptions as the December 2012 Scoping Study for comparison purposes, including maintaining the 10,000tpa contained REO production rate, costings and product pricing, the revised pre-tax and royalty NPV at a 10% discount rate is US\$1.768 billion, an increase of US\$197 million. The associated IRR is 60%, an increase of 7%.

As the REO price sensitivity curves in Figures 7 and 8 illustrate, Ngualla continues to remain profitable at significantly reduced rare earth prices, further reinforcing the robustness of the project.

NPV In ground v Basket Price

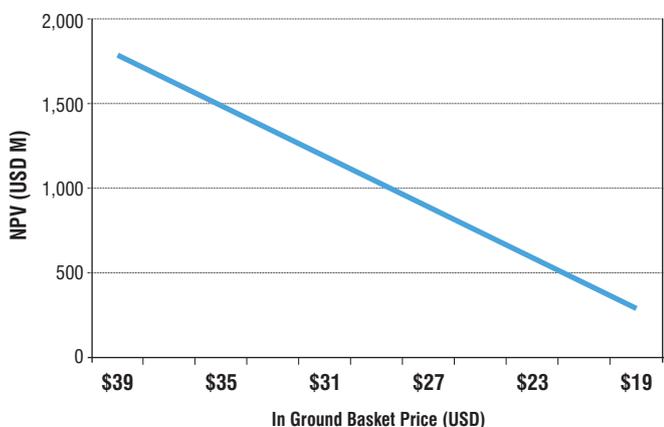


Figure 7: NPV sensitivity curve on in ground basket price (US\$ / kg contained REO product), at 10,000tpa contained REO production rate

IRR In ground v Basket Price

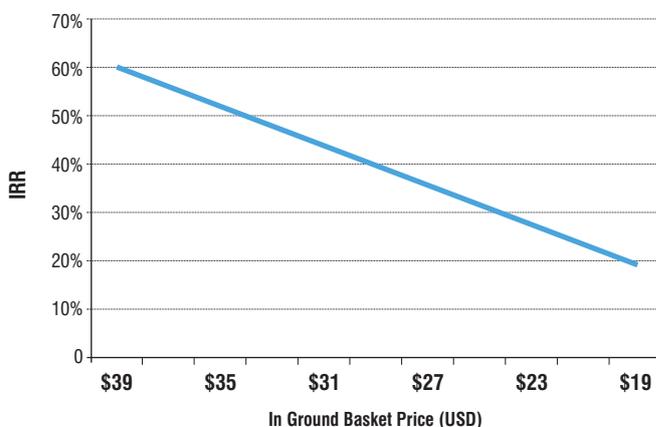


Figure 8: IRR sensitivity curve on in ground basket price (US\$ / kg contained REO product), at 10,000tpa contained REO production rate

The value drivers for Ngualla are the high purity, separated neodymium - praseodymium and heavy rare earth products which together contribute 75% of total revenue (Table 5). These include the higher value Critical rare earths forecast to be in undersupply in coming years.

Table 5: Ngualla Product and Value Split

Product	December 2012 Scoping Study				
	Total Equivalent REO Production t/y*	FOB Price (US\$/kg)	Value (US\$) (Product Price)	Product Value (US\$)	Relative Value Contribution
Nd / Pr Oxide	2,125	\$89	\$18.95	\$189.1M	52%
Mid-Heavy Rare Earth Oxide + Y Oxide	288	\$288	\$8.30	\$82.9M	23%
La Oxide	2,756	\$14	\$3.87	\$38.6M	11%
Ce Oxide	2,126	\$15	\$3.20	\$31.9M	9%
Ce Oxide (concentrate)	2,684	\$8	\$2.15	\$21.5M	6%
Total	9,980		\$36.47	\$363.9M	100%

* Rare earth distribution derived from April 2013 Mineral Resource estimate for Bastnaesite Zone weathered mineralisation +3% REO.

Option for increased production profile

The increased size of the Mineral Resource has allowed Peak to examine the economic benefits of doubling the base production rate to 20,000 tonnes of contained rare earth oxide per year. This increase in production has a significant positive impact on the NPV and IRR of the project.

Utilising the same assumptions as the December 2012 Scoping Study, and factoring capital and operating expenditure proportionately as appropriate, the comparative NPV₁₀ is US\$3.833 billion, with an IRR of 77%. The capital cost excluding contingencies for this scenario is estimated at US\$672 million.

Preliminary Feasibility Study

Work on the Preliminary Feasibility Study scheduled for completion in 2013 is continuing with major milestones being achieved. On 22nd May this year Peak announced the production of a mixed middle and heavy rare earth product of 99.9% purity from the solvent extraction pilot plant currently in operation at ANSTO in Sydney.

Production of an additional three separated high purity products are expected over the next one to three months.

The Preliminary Feasibility Study is also focussed on making additional improvements on the project that are expected to translate into further savings in both operating and capital costs. Individual studies include:

- Further test work to follow on from early encouraging results to recycle sulphuric acid - the single largest reagent cost.
- Optimisation of the hydrometallurgical acid leach recovery stage to reduce reagent and power consumption
- Investigating lower cost power options and the use of renewable energy sources
- Investigating the optimum, potentially offsite location of the processing facilities to take advantage of lower transport, power and reagent costs.
- Continued beneficiation studies to improve cost effective physical upgrade and further reduce downstream processing requirements

Peak will continue to provide updates on progress as results are received.



Alastair Hunter Executive Chairman

Cautionary Statement

The scoping study referred to in this report is based on low level technical and economic assessments, and is insufficient to support estimation and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusion of the scoping study will be realized.

The use of the words "mining schedule" in the context of this report does not support the definition of 'Ore Reserves' as defined by the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The words 'mining schedule' is used in this report to give an indication of quality and quantity of mineralised material that would be fed to the processing plant and is not to assumed that this will provide assurance of an economic development case at this stage, or to provide certainty that the conclusion of the scoping study will be realized.

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled and/or reviewed by Dave Hammond who is a Member of The Australasian Institute of Mining and Metallurgy. Dave Hammond is the Technical Director of the Company. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dave Hammond consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Rob Spiers, who is a member of The Australasian Institute of Geoscientists. Rob Spiers is an employee of geological consultants H&S Consulting Pty Ltd. Rob Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Rob Spiers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to metallurgical testwork results is based on information compiled and/or reviewed by Gavin Beer who is a Member of The Australasian Institute of Mining and Metallurgy. Gavin Beer a Consultant to the Company. He has sufficient experience which is relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Gavin Beer consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.