

ASX Announcement 19 October 2022

Peak and Shenghe Resources Sign Offtake and Strategic Co-operation MOU

- **Peak and Shenghe have signed a non-binding MOU covering concentrate offtake and strategic co-operation in support of the development of the Ngualla Project**
- **Follows Peak's decision to initially develop the Ngualla Project on a standalone basis and produce a high-grade bastnaesite rare earth concentrate**
- **Shenghe holds a 19.9% interest in Peak and has agreed to standstill arrangements**
- **Key MOU terms include:**
 - **Offtake arrangements covering 75-100% of production for an initial period of 7 years**
 - **Technical co-operation and support**
 - **Potential for a project level investment by Shenghe**
 - **Shenghe right to nominate a Director to the Peak Board subject to a minimum shareholding of 10%**
- **Shenghe's strength as a partner:**
 - **Large internationally active rare earth company**
 - **Listed on the Shanghai Stock Exchange with a market capitalisation of US\$3.8 bn**
 - **One of the largest importers of rare earth concentrate into China**
 - **Strong expertise in processing bastnaesite mineralisation**
 - **Offtake, strategic co-operation and an approximate 7.75% shareholding in NYSE-listed MP Materials, the largest rare earth company outside of China**
- **Peak and Shenghe to commence negotiations on a legally binding offtake agreement to support project financing**

Peak Rare Earths Limited (ASX: **PEK**) ("**Peak**" or the "**Company**") is pleased to announce the signing of an offtake and strategic co-operation Memorandum of Understanding ("**MOU**") to support the development of the Ngualla Rare Earth Project ("**Ngualla Project**") with Shenghe Resources (Singapore) Pte Ltd, a wholly owned subsidiary of global rare earths company, Shenghe Resources Holdings Co. ("**Shenghe**").

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Shenghe is a large Chinese rare earth group with operations spanning mining and beneficiation, refining and separation, as well as alloy and metals production. Its international interests include an approximate 7.75% holding in MP Materials Corp (NYSE:MP), a 90% holding in Vietnam Rare Earth Company Limited, and a 9% holding in Greenland Minerals Limited (ASX:GGG). Shenghe is listed on the Shanghai Stock Exchange (SSE: 600392.SS) and has a market capitalisation of approximately US\$3.8 billion.

In the case of MP Materials, Shenghe has been a supportive major shareholder through long-term offtake and strategic cooperation. MP Materials, which has a market capitalisation of approximately US\$5.1 billion, currently produces approximately 70,000 tonnes per annum of a high-grade bastnaesite concentrate. Since the recommencement of MP Materials' Mountain Pass Project in 2017, Shenghe has been its sole offtaker and has provided support to the restart of Mountain Pass Rare Earth project.

Commenting on the MOU, the Executive Chairman of Peak, Russell Scrimshaw, said:

"We are delighted to have signed a strategic and marketing MOU with Shenghe. Shenghe is uniquely positioned to assist Peak in the development of the world-class Ngualla Rare Earth Project. We believe that Shenghe's successful co-operation with MP Materials, provides an excellent roadmap for our offtake, technical and strategic relationship moving forward."

Commenting on the MoU, the CEO of Shenghe, Wang Xiaohui, said:

"The signing of this MOU marks an important step in the development of Shenghe's strategic relationship with Peak and in progressing the Ngualla Rare Earth Project towards development. Shenghe regards the Ngualla Rare Earth Project as the premier undeveloped rare earth project in the world. We are keen to work closely with Peak in developing the project through a combination of offtake, technical and financial support."

Offtake

As part of the MOU, Shenghe will purchase 75% - 100% of the production from the Ngualla Project, which may include a high-grade mineral concentrate and/or a mixed-rare earth carbonate ("**MREC**"). Key terms relating to this offtake agreement include:

- An initial period of 7 years; with may be extended further by the mutual agreement; and
- An arms-length market-based pricing principle based on the value of contained rare earth oxides within the product.
- Following the execution of the MoU, Peak and Shenghe will negotiate in good faith towards a binding offtake agreement that supports project financing requirements for the Ngualla Project.

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Other Key Terms

Other key elements of the MOU include the following:

- The potential for technical co-operation on relevant aspects of the Ngualla Project including in relation to rare earth mining and beneficiation processes, in accordance with arms-length market principles;
- The potential for Shenghe to acquire a direct interest in the Ngualla Project at a mutually agreed valuation;
- The right for Shenghe to appoint one Non-Executive Director to the Board of Peak, subject to Shenghe maintaining a shareholding of at least 10%; and
- The MOU has an initial term of 12 months.

Peak and Shenghe will also assess the potential to explore other areas of strategic co-operation outside of the Ngualla Project.

This announcement is authorised for release by the Company's Board of Directors.

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