



ASX Announcement 9 August 2023

Peak and Shenghe Sign a Binding Offtake Agreement and a Non-Binding Strategic EPC and Funding MOU for Ngualla

- **Peak and Shenghe have executed a binding offtake agreement for the Ngualla Rare Earth Project and signed a non-binding memorandum of understanding (MOU) for cooperation on delivering an EPC and funding solution**
- **Binding offtake agreement terms include:**
 - 100% of rare earth concentrate
 - Minimum of 50% of intermediate and final rare earth products
 - An initial term of 7 years
 - Conditional, including subject to Peak shareholder approval
- **Non-binding MOU supports an integrated development and funding solution:**
 - Shenghe to arrange and provide a fixed price and turnkey Engineering, Procurement and Construction ("EPC") solution and project funding solution
 - Peak and Shenghe to collaborate around opportunities to reduce capital and operating costs, expedite construction and further optimise Ngualla
 - Potential for Shenghe to subscribe for a significant non-controlling equity interest in the Ngualla Project (via a 100% Peak owned subsidiary) which would substantially lower Peak's funding requirements
- **The target Ngualla Project development timeline has been updated to reflect a shift from an EPCM to a fixed price and turnkey EPC approach:**
 - Final Investment Decision and start of construction by the end of May 2024
 - Completion of construction and development by early 2026
- **Positions Ngualla as one of the world's most attractive and advanced undeveloped rare earth projects, with a:**
 - High-grade REE/NdPr deposit with exploration upside
 - Completed Bankable Feasibility Study Update¹
 - Binding Framework Agreement with the Government of Tanzania
 - Special Mining Licence for the Ngualla Project
 - Binding offtake agreement for all concentrate production
 - Supportive and technically proficient major shareholder, Shenghe
 - Pathway to a development and funding solution



ASX Announcement 9 August 2023

Peak Rare Earths Limited (ASX: **PEK**) ("**Peak**" or the "**Company**") is pleased to announce that on 8 August 2023 it executed a binding offtake agreement with Shenghe Resources (Singapore) Pte. Ltd. ("**Shenghe Singapore**"), a wholly owned subsidiary of global rare earths company, Shenghe Resources Holding Co., Ltd. ("**Shenghe**"). The Company also signed a non-binding Memorandum of Understanding ("**MOU**") with Shenghe, which sets out the basis of the parties' cooperation on assessing an integrated Engineering, Procurement and Construction ("**EPC**") and project funding solution for the Ngualla Rare Earth Project ("**Ngualla Project**").

Shenghe is a major Chinese rare earth company listed on the Shanghai Stock Exchange (SSE: 600392.SS) and has a market capitalisation of approximately US\$3.1 billion. Shenghe Singapore holds an approximate 19.8% interest in Peak and appointed a Non-Executive Director to the Company's Board in November 2022. Shenghe is the largest importer of rare earth concentrate into China and its operations span rare earth mining, beneficiation, refining, trading and alloy and metals production. Shenghe also holds an approximate 7.75% interest in MP Materials Corp (NYSE:MP) which operates the Mountain Pass Rare Earths Project in California. MP Materials has a market capitalisation of approximately US\$4 billion and Shenghe has been a supportive major shareholder through long-term offtake, technical and funding cooperation.

Commenting on the new arrangements with Shenghe, Dr. Russell Scrimshaw (AM), the Executive Chairman of Peak, said:

"We are delighted to be extending our strategic co-operation with Shenghe. The combination of a binding offtake agreement and a non-binding EPC and funding MOU differentiates Peak from its peers and supports a pathway to a successful project funding solution for the development of the Ngualla Rare Earths Project."

Mr. Huang Ping, Deputy Executive Chairman of Shenghe, made the following comments:

"Shenghe regards the Ngualla Project as the premier undeveloped rare earth project in the world. We are excited to be partnering with Peak, and its Tanzanian entity Mamba Minerals, in the development of this world-class project through the provision of offtake, technical and funding support."

¹ See 24 October 2022 ASX announcement. The Company confirms that at this time, other than the change to an EPC and resulting financial outcomes to be determined, it is not aware of any new information or data that materially affects the information included in the announcement and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.



ASX Announcement 9 August 2023

Binding Offtake Agreement

Key terms of the binding offtake agreement between Peak and Shenghe Resources (Singapore) Pte Ltd, include the following:

- **Products** – 100% of rare earth concentrate and, subject to entering into subsequent binding offtake agreements, a minimum of 50% of any intermediate rare earth products (such as a future Mixed Rare Earth Carbonate) or final separated rare earth oxides;
- **Take-or-Pay** – Shenghe Singapore is obligated to pay for and take delivery of all agreed products;
- **Pricing** – market-based pricing formula based on the value of contained rare earth oxides (as quoted by Asianmetal.com) within the product less deductions relating to VAT, trading fees as well as refining recoveries, charges and margins;
- **Term** – an initial period of 7 years which may be extended further by mutual agreement;
- **Shipping** – sale of concentrate is based on Cost, Insurance and Freight (“CIF”) discharge to designated Chinese ports;
- **Invoicing** – at the election of Peak, the payment of 90% of the Provisional Invoice by delivery of a Letter of Credit prior to the loading of a shipment or the payment of 80% of the Provisional Invoice by telegraphic transfer within five business days of shipping documents being delivered, with the balance of payments to be made within 30 days of Chinese customs clearance;
- **Conditions precedents** – the agreement is conditional upon Peak shareholder approval (50% resolution), the approval of the board and/or shareholders of Shenghe, the approval of the Board of Directors of Mamba Minerals Corporation Limited and Mamba Refinery Corporation Limited and the subsequent novation of the Offtake Agreement to Mamba Minerals Corporation Limited², the provision of a parent performance guarantee by Shenghe, the achievement of Financial Close with respect to project funding and approval by the Tanzanian Mining Commission; and
- **Termination** – termination rights where an event of default is not remedied within 30 days or Financial Close on a project funding solution has not been achieved within 6 months from the finalisation of a Front-End Engineering and Design (“FEED”) study.

² Peak holds an effective 84% interest in Mamba Minerals Corporation Limited and Mamba Refinery Corporation Limited, via its wholly owned subsidiary Ngualla Group UK Limited, with the remaining 16% held by the Government of Tanzania. Mamba Minerals Corporation Limited holds the Special Mining Licence for the Ngualla Project.



ASX Announcement 9 August 2023

Under the offtake agreement, the net payability for concentrate, being the price received for concentrate divided by the basket value of contained rare earth elements, will vary with the grade of Ngualla Project's concentrate and the underlying price of rare earth elements. Peak is targeting to produce concentrate with a TREO grade of greater than 45% over the life of the Offtake Agreement. Based on current spot prices, over 92% of the value of Ngualla concentrate is attributable to contained NdPr Oxide³.

Net payabilities for different grades and prices are set out in the table below.

Net payability of Ngualla bastnaesite concentrate (%)^a

NdPr Oxide price (US\$/kg, incl VAT)	Ngualla Concentrate Grade (%TREO)		
	>45%	>50%	>55%
80	48.0%	51.5%	53.7%
140	51.8%	54.7%	56.4%
200	54.4%	57.1%	58.6%

^aBased on a LaCe Carbonate price of US\$0.5/kg and a SEG concentrate price of US\$33.43/kg. Assumes Ngualla concentrate specifications of 22.3% NdPr, 44.2% Ce, 30.1% La and 2.9% SEG Heavy (LOM averages). Payabilities are inclusive of a VAT deduction (e.g., based on a final price payable to Peak).

Non-Binding Strategic EPC and Funding MOU

In support of progressing an integrated offtake, EPC and funding solution for the Ngualla Project, Peak and Shenghe have also signed a non-binding Strategic EPC and Funding MOU, which sets out the basis upon which Peak and Shenghe will work together with the aim of delivering a development and funding solution.

Key terms of the MOU include the following:

- **EPC development approach** - Shenghe to be appointed to arrange and deliver to Peak a fixed price and turnkey EPC solution for the Ngualla Project, with the potential for Beijing General Research Institute of Mining and Metallurgy ("BGRIMM") to be engaged as an EPC sub-contractor;
- **Tanzanian regulatory requirements** - the EPC solution will need to be undertaken in accordance with all applicable Tanzanian regulations including competitive tendering processes as well as local content and employment requirements;

³ Based on current spot prices including an NdPr Oxide price of US\$65/kg, a LaCe Carbonate price of US\$0.5/kg and a SEG concentrate price of US\$33.43/kg.



ASX Announcement 9 August 2023

- **Owner's Team** - Peak in conjunction with its 84% owned subsidiary, Mamba Minerals, will appoint an Owner's Team to oversee the delivery of the EPC solution;
- **Project funding** - Shenghe to source a funding solution for the Ngualla Project on terms mutually acceptable to Peak and Shenghe;
- **Project level investment** - as part of a complete funding solution for the Ngualla Project and to minimise any equity funding requirements for Peak, the parties will evaluate the potential for Shenghe to subscribe for a significant non-controlling interest in Ngualla Group UK Limited (the vehicle through which Peak holds its interests in Mamba Minerals and the Ngualla Project);
- **Binding Agreements** - subsequent binding legal agreements should reflect the principles outlined in the MOU;
- **Standstill arrangements** - Shenghe to continue to be bound by its standstill restriction (which limit Shenghe to a maximum 19.9% interest in Peak) as per the terms of the Offtake and Strategic Co-operation MOU signed on 5th September 2022; and
- **Term** - unless extended by mutual agreement, the MOU will expire on 31 May 2024.

The MOU, and the terms of the EPC and funding solution, remain wholly subject to contract.

Peak understands that BGRIMM is the largest mining related research and design institution within China. Its core businesses include technical and engineering services in non-ferrous commodities, flotation technology and development, and mineral resources recycling and environmental protection. BGRIMM has significant expertise across the rare earth value chain and a proven track-record in developing projects in Sub-Saharan Africa.

Timing and next steps

The Ngualla Project BFS Update was undertaken on the basis of an Engineering, Procurement, Construction and Management ("EPCM") execution model. Given the signing of a non-binding MOU with Shenghe covering EPC and funding support, Peak now intends to prioritise an EPC execution model as part of a dual-track EPC and EPCM process. It is expected that a decision on a preferred execution model will be made before the end of calendar year 2023.

The Offtake Agreement and non-binding MOU have been structured to create a strong alignment of interests between Peak and Shenghe and to deliver an actionable project funding solution. Under the non-binding MOU, Shenghe is to source a funding solution for the Ngualla Project on terms mutually acceptable to Peak and Shenghe - the Offtake Agreement provides for a termination right where Financial Close on a project funding solution is not achieved within six months from the finalisation of a FEED study.



ASX Announcement 9 August 2023

As part of FEED and Detailed Engineering and Design, Peak and Shenghe have also agreed to co-operate around opportunities to further optimise the Ngualla Project with respect to capital expenditure, operating costs and concentrate grade and recoveries.

In recognition of these arrangements, the opportunity to further optimise the Ngualla Project and the benefits of a potential fixed price and turnkey EPC and project funding solution, the Ngualla Project development timeline has been updated to reflect the following target milestones:

- Completion of FEED – by the end of November 2023;
- Decision on an EPC or EPCM execution model – by the end of December 2023;
- Final Investment Decision and the commencement of construction – by the end of May 2024; and
- Completion of construction and development of the Ngualla Project – by early 2026.

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

Bardin Davis

Chief Executive Officer

Media inquiries:

Michael Vaughan

Fivemark Partners

+61 422 602 720