



**ASX Announcement** 21 June 2024

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## **Binding Offtake Agreement**

### **Conditions Precedent Satisfied**

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- **Outstanding conditions precedent on a binding Offtake Agreement with Shenghe have been satisfied following approval by**
  - Peak shareholders
  - Tanzanian Mining Commission
- **Offtake Agreement provides the Ngualla Project with a complete offtake solution covering 100% of rare earth concentrate**
- **Other points of attraction include**
  - Take-or-pay structure
  - Initial 7-year term
  - Subject to Ngualla developing downstream operations over the 7-year term, a minimum of 50% of any intermediate (i.e. MREC) or final separates rare earth oxides (i.e. NdPr Oxide)
- **Negotiations with Shenghe around a project level investment are continuing**
- **Recent Special Mining Licence expansion has provided an opportunity to reconfigure the Ngualla Project to support further optimisation of costs and production**
  - Wood has been engaged to deliver “bankable” estimates ahead of a Final Investment Decision
- **Further strengthens Ngualla’s position as one of the world’s most attractive and advanced undeveloped rare earth projects**
  - 24-year life of mine supported by high-grade Ore Reserves<sup>1</sup>
  - Completed Bankable Feasibility Update Study and FEED Study
  - 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
  - Receipt of ~US\$177m of indicative debt funding appetite with a pathway to a development and funding solution<sup>2</sup>

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<sup>1</sup> See ASX Announcement on 24 October 2022 – Completion of Ngualla Project BFS Update

<sup>2</sup> See ASX Announcement on 29 April 2024 - Indicative funding appetite for the Ngualla Project of approximately US\$176.6m



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Peak Rare Earths Limited (ASX: **PEK**) ("**Peak**" or the "**Company**") is pleased to announce the approval of its binding Offtake Agreement with Shenghe Resources (Singapore) Pte. Ltd. ("**Shenghe Singapore**") by the Tanzanian Mining Commission. This follows the approval of the Offtake Agreement by Peak shareholders at a General Meeting on 17 June 2024. All conditions precedent within the Offtake Agreement have now been either satisfied or waived.

Shenghe Singapore is a wholly owned subsidiary of global rare earths company, Shenghe Resources Holding Co., Ltd. ("**Shenghe**"), which is listed on the Shanghai Stock Exchange (SSE: 600392.SS) and has a market capitalisation of approximately US\$2.2 billion. Shenghe Singapore holds an approximate 19.89% interest in Peak and appointed a Non-Executive Director to the Company's Board in December 2022. Shenghe is the largest importer of rare earth concentrate into China and its operations span rare earth mining, beneficiation, refining 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\$2.2 billion and Shenghe has been a supportive major shareholder through long-term offtake, technical and funding cooperation.

To support an equity funding solution for the Ngualla Rare Earth Project, Peak and Shenghe are continuing to progress discussions around an effective project level investment by Shenghe. This could entail Shenghe subscribing for an interest of up to 50% in Ngualla Group UK Limited ("**NGUK**"), being the holding company through which Peak holds its interest in Mamba Minerals Corporation Limited ("**Mamba Minerals**") and the Ngualla Project. A key objective for Peak in any proposed transaction is to structure an effective investment in the Ngualla Project at a materially higher valuation than implied by Peak's current share price.

Commenting on the satisfaction of conditions precedent, Bardin Davis, the CEO of Peak, said:

*"This marks yet another major de-risking milestone and further strengthens Ngualla's position as one of the world's most attractive and advanced rare earth projects. Our Offtake Agreement with Shenghe delivers a higher level of payability and is supporting our rapidly advancing debt financing process."*

## **Binding Offtake Agreement**

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



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- **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 7-year period 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 customs clearance;
- **Performance guarantee** – the Offtake Agreement is supported by a parent performance guarantee by Shenghe; and
- **Termination** – termination rights where an event of default is not remedied within 30 days.

## Project optimisation opportunities

Following the recent expansion of the Special Mining Licence (“SML”) area from ~18km<sup>2</sup> to ~51km<sup>2</sup>, an opportunity has been identified to reconfigure the layout of the Ngualla Project to reduce bulk earthworks and relocate buildings, plant and storage facilities from Ngualla Hill to flatter areas within the enlarged SML<sup>3</sup>.

Other identified optimisation opportunities include:

- **Optimisation of contract packages** – including the reduction in unit rates via combining earth works, civils, quarry, tailings storage facility construction and mining;
- **Deferral of new airstrip** – by remediating and using the existing airstrip;

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<sup>3</sup> See ASX Announcement on 26 April 2024 – Enlargement of Special Mining Licence Area at Ngualla



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- **Increased plant availability** – revising plant availability from 80% to 88% based on peer benchmarking exercise;
- **Re-scope buildings and storage facility** – utilising lower cost local construction solutions, removing unnecessary coverings and reducing storage capacity; and
- **Adopting more competitive tendering solutions** – including reductions in logistics and power costs.

Wood Group Plc has been engaged to review these optimisation opportunities and to provide “bankable” cost and production estimates ahead of a targeted Final Investment Decision in December 2024.

This announcement is authorised for release by the Executive Chairman and CEO.

### **Bardin Davis**

Chief Executive Officer

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### **Forward-Looking Statements**

This announcement contains forward-looking information and prospective financial material, which is predictive in nature and may be affected by inaccurate assumptions or by known or unknown risks and uncertainties and may differ materially from results ultimately achieved. Such forward-looking statements are expectations or beliefs of the Company based on information currently available to it. All references in this announcement, to potential financing arrangements should be read subject to this cautionary statement.

### **Compliance Statement**

This announcement references the ASX announcement dated 24 October 2022 “Completion of Ngualla Project BFS Update” which is available to view at <https://www.peakrareearths.com/announcements/>. Other than changes reported in the ASX Announcement dated 30 November 2023 “Completion of Feed Study” and the rare earth price assumptions as set out in the December 2023 Quarterly Activities Report and in the Review of Operations in the December 2023 Half-Year Financial Report, the Company confirms at this time it is not aware of any other new information or data that materially affects the information included in announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant announcements continue to apply and have not materially changed. The Company further confirms that at this time the form and context in which the Competent Person’s findings presented in the announcements have not materially changed from the original announcements.