

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2022

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-39277



**MP MATERIALS CORP.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

84-4465489

(I.R.S. Employer  
Identification No.)

6720 Via Austi Parkway, Suite 450  
Las Vegas, Nevada 89119  
(702) 844-6111

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value of \$0.0001 per share	MP	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 29, 2022, the number of shares of the registrant's common stock outstanding was 177,526,827.

**MP MATERIALS CORP. AND SUBSIDIARIES**  
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*References herein to the “Company,” “MP Materials,” “we,” “our,” and “us,” refer to MP Materials Corp. and its subsidiaries.*

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements included in this Quarterly Report on Form 10-Q for the three months ended March 31, 2022 (this “Form 10-Q”), that are not historical facts are forward-looking statements under Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities and Exchange Act of 1934, as amended. Forward-looking statements may be identified by the use of the words such as “estimate,” “plan,” “shall,” “may,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “seek,” “target,” or similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding estimates and forecasts of other financial and performance metrics and projections of market opportunity. These statements are based on various assumptions, whether or not identified in this Form 10-Q or our Annual Report on Form 10-K for the year ended December 31, 2021 (the “Form 10-K”), and on the current expectations of our management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on by any investor as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond our control.

These forward-looking statements are subject to a number of risks and uncertainties, including:

- fluctuations and uncertainties related to demand for and pricing of rare earth products;
- uncertainties regarding the growth of existing and emerging uses for rare earth products and ability to compete with substitutions for rare earth minerals;
- the intense competition within the rare earth mining and processing industry;
- uncertainties relating to our commercial arrangements with Shenghe Resources (Singapore) International Trading Pte. Ltd., an affiliate of Shenghe Resources Holding Co., Ltd., a global rare earth company listed on the Shanghai Stock Exchange;
- potential changes in China’s political environment and policies;
- unanticipated costs or delays associated with our Stage II optimization project;
- unanticipated costs or delays associated with our Stage III project;
- risks associated with our intellectual property rights, including uncertainties related to the Company’s ability to obtain the intellectual property rights or licenses of intellectual property rights to produce NdFeB alloy and magnets;
- uncertainties related to the Company’s ability to produce and supply NdFeB alloy and magnets;
- the ability to convert current commercial discussions with customers for the sale of rare earth oxide products, NdFeB alloy and magnets into contracts;
- uncertainties relating to the COVID-19 pandemic;
- potential power shortages at Mountain Pass;
- increasing costs or limited access to raw materials that may adversely affect our profitability;
- fluctuations in transportation costs or disruptions in transportation services;
- inability to meet individual customer specifications;
- diminished access to water;
- uncertainty in our estimates of rare earth oxide reserves;
- risks associated with work stoppages;
- a shortage of skilled technicians and engineers;
- loss of key personnel;
- risks associated with the inherent dangers involved in mining activity and metal and alloy manufacturing;
- risks associated with events outside of our control, such as natural disasters, climate change, wars or health epidemics or pandemics;
- risks related to technology systems and security breaches;
- ability to maintain satisfactory labor relations;

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- ability to comply with various government regulations that are applicable to our business;
- ability to maintain our governmental licenses, registrations, permits, and approvals necessary for us to operate our business;
- risks relating to extensive and costly environmental regulatory requirements;
- risks associated with the terms of our convertible notes; and
- the other factors described elsewhere in this Form 10-Q, included under the headings [“Management’s Discussion and Analysis of Financial Condition and Results of Operations”](#) and [Part II, Item 1A, “Risk Factors”](#) or as described in our Form 10-K, or as described in the other documents and reports we file with the Securities and Exchange Commission (“SEC”).

If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements.

These and other factors that could cause actual results to differ from those implied by the forward-looking statements in this Form 10-Q are more fully described within [Part II, Item 1A, “Risk Factors”](#) in this Form 10-Q and “Part I, Item 1A. Risk Factors” in our Form 10-K. Such risks are not exhaustive. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

In addition, statements of belief and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us, as applicable, as of the date of this Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not to unduly rely upon these statements.

## PART I—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**MP MATERIALS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

<i>(in thousands, except share and per share data)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,233,300	\$ 1,179,297
Accounts receivable (including related party), net of allowance for credit losses of \$0 and \$0, respectively	37,108	51,009
Inventories	39,619	38,692
Prepaid expenses and other current assets	6,447	7,809
Total current assets	1,316,474	1,276,807
<b>Non-current assets</b>		
Property, plant and equipment, net	668,488	610,612
Other non-current assets	2,249	2,247
Total non-current assets	670,737	612,859
<b>Total assets</b>	\$ 1,987,211	\$ 1,889,666
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 41,654	\$ 35,734
Income taxes payable	5,246	3,463
Current installments of long-term debt—related party	—	16,082
Other current liabilities	4,675	4,264
Total current liabilities	51,575	59,543
<b>Non-current liabilities</b>		
Asset retirement obligations	17,888	17,615
Environmental obligations	16,594	16,598
Long-term debt, net of current portion	675,804	674,927
Deferred income taxes	127,979	104,500
Other non-current liabilities	7,003	7,751
Total non-current liabilities	845,268	821,391
Total liabilities	896,843	880,934
Commitments and contingencies ( <a href="#">Note 9</a> )		
<b>Stockholders' equity:</b>		
Preferred stock (\$0.0001 par value, 50,000,000 shares authorized, none issued and outstanding in either period)	—	—
Common stock (\$0.0001 par value, 450,000,000 shares authorized, 177,526,007 and 177,816,554 shares issued and outstanding, as of March 31, 2022, and December 31, 2021, respectively)	18	18
Additional paid-in capital	932,384	936,299
Retained earnings	157,966	72,415
Total stockholders' equity	1,090,368	1,008,732
<b>Total liabilities and stockholders' equity</b>	\$ 1,987,211	\$ 1,889,666

See accompanying notes to the Condensed Consolidated Financial Statements.

**MP MATERIALS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

<i>(in thousands, except share and per share data)</i>	<b>For the three months ended March</b>	
	<b>31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenue:</b>		
Product sales (including related party)	\$ 161,755	\$ 59,739
Other sales (including related party)	4,503	232
Total revenue	166,258	59,971
<b>Operating costs and expenses:</b>		
Cost of sales (including related party)(excluding depreciation, depletion and amortization)	23,173	17,936
Selling, general and administrative	20,565	13,458
Advanced projects, development and other	1,818	125
Depreciation, depletion and amortization	5,260	6,150
Accretion of asset retirement and environmental obligations	418	593
Total operating costs and expenses	51,234	38,262
<b>Operating income</b>	115,024	21,709
Other income, net	194	55
Interest expense, net	(1,905)	(1,154)
<b>Income before income taxes</b>	113,313	20,610
Income tax expense	(27,762)	(4,491)
<b>Net income</b>	\$ 85,551	\$ 16,119
<b>Earnings per share:</b>		
Basic	\$ 0.49	\$ 0.10
Diluted	\$ 0.45	\$ 0.09
<b>Weighted-average shares outstanding:</b>		
Basic	176,355,566	168,922,566
Diluted	193,490,330	179,319,489

See accompanying notes to the Condensed Consolidated Financial Statements.

**MP MATERIALS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

<i>(in thousands, except share data)</i>	Preferred Stock		Common Stock		Additional Paid- in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	\$	Shares	Amount			
<b>Balance as of January 1, 2022</b>	—	\$ —	177,816,554	\$ 18	\$ 936,299	\$ 72,415	\$ 1,008,732
Stock-based compensation	—	—	46,882	—	10,179	—	10,179
Shares used to settle payroll tax withholding	—	—	(337,429)	—	(14,094)	—	(14,094)
Net income	—	—	—	—	—	85,551	85,551
<b>Balance as of March 31, 2022</b>	—	\$ —	177,526,007	\$ 18	\$ 932,384	\$ 157,966	\$ 1,090,368
<b>Balance as of January 1, 2021</b>	—	\$ —	170,719,979	\$ 17	\$ 916,482	\$ (62,622)	\$ 853,877
Stock-based compensation	—	—	36,320	—	5,673	—	5,673
Shares used to settle payroll tax withholding	—	—	(10,435)	—	(334)	—	(334)
Net income	—	—	—	—	—	16,119	16,119
Other	—	—	—	—	(178)	—	(178)
<b>Balance as of March 31, 2021</b>	—	\$ —	170,745,864	\$ 17	\$ 921,643	\$ (46,503)	\$ 875,157

See accompanying notes to the Condensed Consolidated Financial Statements.

**MP MATERIALS CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>(in thousands)</i>	For the three months ended March 31,	
	2022	2021
<b>Operating activities:</b>		
Net income	\$ 85,551	\$ 16,119
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,260	6,150
Accretion of asset retirement and environmental obligations	418	593
Loss (gain) on sale or disposal of long-lived assets, net	257	(133)
Stock-based compensation expense	9,773	5,673
Accretion of debt discount and amortization of debt issuance costs	1,394	1,064
Revenue recognized in exchange for debt principal reduction	(13,566)	(11,276)
Deferred income taxes	23,479	4,162
Decrease (increase) in operating assets:		
Accounts receivable (including related party)	13,901	(10,336)
Inventories	(927)	(2,826)
Prepaid expenses, other current and non-current assets	694	(2,231)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(7,176)	3,050
Income taxes payable	1,783	—
Other current and non-current liabilities	130	(674)
Net cash provided by operating activities	120,971	9,335
<b>Investing activities:</b>		
Additions of property, plant and equipment	(54,932)	(19,298)
Proceeds from sale of property, plant and equipment	—	125
Proceeds from government awards used for construction	5,130	—
Net cash used in investing activities	(49,802)	(19,173)
<b>Financing activities:</b>		
Proceeds from issuance of long-term debt	—	690,000
Principal payments on debt obligations and finance leases	(3,817)	(276)
Payment of debt issuance costs	—	(17,419)
Tax withholding on stock-based awards	(14,094)	(334)
Other	—	(178)
Net cash provided by (used in) financing activities	(17,911)	671,793
Net change in cash, cash equivalents and restricted cash	53,258	661,955
Cash, cash equivalents and restricted cash beginning balance	1,181,157	532,440
Cash, cash equivalents and restricted cash ending balance	\$ 1,234,415	\$ 1,194,395
<b>Reconciliation of cash, cash equivalents and restricted cash:</b>		
Cash and cash equivalents	\$ 1,233,300	\$ 1,181,515
Restricted cash, current	587	3,765
Restricted cash, non-current	528	9,115
Total cash, cash equivalents and restricted cash	\$ 1,234,415	\$ 1,194,395

See accompanying notes to the Condensed Consolidated Financial Statements.

**MP MATERIALS CORP. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 1—DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

**Description of Business:** MP Materials is the largest producer of rare earth materials in the Western Hemisphere. We own and operate the Mountain Pass Rare Earth Mine and Processing Facility (“Mountain Pass”), the only rare earth mining and processing site of scale in North America. The Company is headquartered in Las Vegas, Nevada. References herein to the “Company,” “we,” “our,” and “us,” refer to MP Materials Corp. and its subsidiaries.

We currently produce a rare earth concentrate that we sell pursuant to an offtake agreement to Shenghe Resources (Singapore) International Trading Pte. Ltd. (“Shenghe”), a majority-owned subsidiary of Leshan Shenghe Rare Earth Co., Ltd. (“Leshan Shenghe”) whose ultimate parent is Shenghe Resources Holding Co., Ltd., a leading global rare earth company listed on the Shanghai Stock Exchange. We are currently recommissioning, upgrading and enhancing the processing facility at Mountain Pass to provide for the separation of the individual rare earth elements contained in our concentrate (referred to as the “Stage II optimization project” or “Stage II”), that will allow us to sell separated rare earth oxides directly to end users. In addition, we recently began construction on our initial rare earth, metal, alloy and magnet manufacturing facility in Fort Worth, Texas (the “Fort Worth Facility”) as a part of our Stage III downstream expansion strategy (“Stage III”). For more information on our relationship and agreements with Shenghe, see [Note 3, “Relationship and Agreements with Shenghe,”](#) and [Note 13, “Related-Party Transactions.”](#)

Operating segments are defined as components of an enterprise about which separate financial information is available and evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company’s chief operating decision maker views the Company’s operations and manages the business as one reportable segment.

The cash flows and profitability of the Company’s operations are significantly affected by the market price of rare earth products. The prices of rare earth products are affected by numerous factors beyond the Company’s control. The products of the Company are sold globally, with a primary focus in the Asian market due to the refining capabilities of the region. Rare earth products are critical inputs in hundreds of existing and emerging clean-tech applications including electric vehicles and wind turbines as well as drones and defense applications.

**Basis of Presentation:** The unaudited Condensed Consolidated Financial Statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the rules and regulations of the U.S. Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Results of operations and cash flows for the interim periods presented herein are not necessarily indicative of the results that would be achieved during a full year of operations or in future periods. These unaudited Condensed Consolidated Financial Statements and notes thereto should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation:** The unaudited Condensed Consolidated Financial Statements include the accounts of MP Materials Corp. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Concentration of Risk:** As of March 31, 2022, Shenghe, a related party of the Company, accounted for more than 90% of product sales. See [Note 3, “Relationship and Agreements with Shenghe,”](#) for additional information.

Furthermore, while revenue is generated in the United States, our principal customer conducts its primary operations in China and may transport and sell products in the Chinese market. Therefore, the Company’s revenue is affected by Shenghe’s ultimate realized prices in China. In addition, there is an ongoing economic conflict between China and the United States that has resulted in tariffs and trade barriers that may negatively affect the Company’s business and results of operations.

In December 2019, a novel strain of coronavirus (known as “COVID-19”) began to impact the population of China. In March 2020, the outbreak of COVID-19 was declared a global pandemic after growing both in the United States and globally. The responses by governments, societies, and private sector entities to the COVID-19 pandemic, which include temporary

closures of businesses, social distancing, travel restrictions, “shelter in place,” and other governmental regulations and various economic stimulus programs, have significantly impacted market volatility and general global economic conditions, including significant business and supply chain disruption as well as broad-based changes in supply and demand.

Since the onset of the COVID-19 pandemic in the first quarter of 2020, we have experienced, at times, significant shipping delays due to congestion and slowdowns at U.S. and international ports caused by shortages in vessels, containers, and truckers, also disrupting the global supply chain. Congestion and slowdowns have affected and may continue to affect the capacity at ports to receive deliveries of products or the loading of shipments onto vessels. Despite these factors, we have not experienced a reduction in production or sales due to the COVID-19 pandemic; however, the COVID-19 pandemic has contributed to certain cost and schedule pressures on the Stage II optimization project. The Company has worked proactively and diligently to adjust working schedules and hours to optimize logistics and shipping, which has thus far prevented a significant negative impact on our product sales and has mitigated certain impacts on Stage II construction and recommissioning progress. However, there can be no assurance that the ongoing COVID-19 pandemic will not have a negative impact on our production, sales, or growth projects in the future.

Furthermore, as the situation continues to evolve, including as a result of new and potential future variants of COVID-19, the possibility of federal or state mandates on vaccinations, or other factors that may affect international shipping and logistics or involve responses to government actions such as strikes or other disruptions, it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Company’s business and results of operations. The extent and duration of any business disruptions, and related financial impact, cannot be estimated at this time.

**Use of Estimates:** The preparation of the unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the unaudited Condensed Consolidated Financial Statements, and (iii) the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

**Recently Issued Accounting Pronouncements:** There were no new accounting pronouncements recently issued or effective during the three months ended March 31, 2022, that had or would be expected to have a material impact on the Company’s unaudited Condensed Consolidated Financial Statements.

**Reclassifications:** Certain amounts in prior periods have been reclassified to conform to the current year presentation.

### NOTE 3—RELATIONSHIP AND AGREEMENTS WITH SHENGHE

#### **Offtake Agreement**

In March 2022, the Company entered into an offtake agreement with Shenghe (the “Offtake Agreement”), which became effective upon the termination of the A&R Offtake Agreement (as discussed and defined below). The initial term of the Offtake Agreement is two years, with the option to extend the term at the Company’s discretion for an additional one-year period.

Pursuant to the Offtake Agreement, and subject to certain exclusions, Shenghe shall purchase on a “take or pay” basis the rare earth concentrate produced by the Company as the exclusive distributor in China, with certain exceptions for the Company’s direct sales globally. In addition, at the discretion of the Company, Shenghe may be required to purchase on a “take or pay” basis certain non-concentrate rare earth products, although the Company may sell all non-concentrate rare earth products in its sole discretion to customers or end users in any jurisdiction. Under the Offtake Agreement, Shenghe will be paid a variable commission on net proceeds to the Company.

Similar to the A&R Offtake Agreement, the sales price of rare earth concentrate sold to Shenghe is based on an agreed-upon price per metric ton, subject to certain quality adjustments depending on the measured characteristics of the product, with an adjustment for the ultimate market price of the product realized by Shenghe upon sales to their customers. The sales price and other terms applicable to a quantity of offtake products are set forth in monthly purchase agreements between the Company and Shenghe.

#### **Original Commercial Agreements**

In May 2017, the Company entered into a set of commercial arrangements with Shenghe, which included a technical services agreement (the “TSA”) and an offtake agreement (the “Original Offtake Agreement”). The Original Offtake Agreement required Shenghe to advance the Company an initial \$50.0 million (the “Initial Prepayment Amount”) to fund the restart of operations at the mine and the TSA required Shenghe to fund any additional operating and capital expenditures

required to bring Mountain Pass to full operability. Shenghe also agreed to provide additional funding of \$30.0 million to the Company pursuant to a separate letter agreement dated June 20, 2017 (the “Letter Agreement”) (the “First Additional Advance”), in connection with our acquisition of Mountain Pass. In addition to the repayment of the First Additional Advance, pursuant to the Letter Agreement, the Initial Prepayment Amount increased by \$30.0 million. We refer to the aggregate prepayments made by Shenghe pursuant to the Original Offtake Agreement and the Framework Agreement (defined below), as adjusted for Gross Profit Recoupment (defined below) amounts and any other qualifying repayments to Shenghe, inclusive of the \$30.0 million increase to the Initial Prepayment Amount, as the “Prepaid Balance.”

Under the Original Offtake Agreement, we sold to Shenghe, and Shenghe purchased on a firm “take or pay” basis, all of the rare earth products produced at Mountain Pass. Shenghe marketed and sold these products to customers, and retained the gross profits earned on subsequent sales. The gross profits were credited against the Prepaid Balance, and provided the means by which we repaid, and Shenghe recovered, such amounts (the “Gross Profit Recoupment”).

#### **Framework Agreement and Restructured Commercial Agreements**

In May 2020, the Company entered into a framework agreement and amendment (the “Framework Agreement”) with Shenghe and Leshan Shenghe that restructured the commercial arrangements and provided for, among other things, a revised funding amount and schedule to settle Shenghe’s prepayment obligations to the Company, as well as an amendment to the Original Offtake Agreement, as discussed below.

Pursuant to the Framework Agreement, the Company entered into an amended and restated offtake agreement with Shenghe on May 19, 2020 (the “A&R Offtake Agreement”), which, upon effectiveness, superseded and replaced the Original Offtake Agreement. Pursuant to the Framework Agreement, Shenghe funded the remaining portion of the Initial Prepayment Amount and agreed to fund an additional \$35.5 million advance (the “Second Additional Advance” and together with the Initial Prepayment Amount, inclusive of the \$30.0 million increase pursuant to the Letter Agreement, the “Offtake Advances”), which amounts were fully funded in June 2020.

The A&R Offtake Agreement maintained the key take-or-pay, amounts owed on actual and deemed advances from Shenghe, and other terms of the Original Offtake Agreement, with the following changes, among other items: (i) as to the offtake products subject to the A&R Offtake Agreement, provided that if we sold such offtake products to a third party, then, until the Prepaid Balance was reduced to zero, we would pay an agreed percentage of our revenue from such sales to Shenghe, to be credited against the amounts owed on Offtake Advances; (ii) provided that the sales price to be paid by Shenghe for our rare earth products (a portion of which reduces the Prepaid Balance rather than being paid in cash) would be based on market prices (net of taxes, tariffs and certain other agreed charges) less applicable discounts; and (iii) obliged us to pay Shenghe, on an annual basis, an amount equal to our annual net income, less any amounts recouped through the Gross Profit Recoupment mechanism over the course of the year, until the Prepaid Balance was reduced to zero.

The sales price and other terms applicable to a quantity of offtake products were set forth in monthly purchase agreements between the Company and Shenghe. In March 2022, the Company made a \$2.9 million payment to Shenghe pursuant to item (iii) discussed above. Upon payment by the Company, the Prepaid Balance was repaid in full, and the A&R Offtake Agreement was terminated.

#### **NOTE 4—INVENTORIES**

The Company’s inventories consisted of the following:

<i>(in thousands)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Materials and supplies	\$ 11,246	\$ 10,711
In-process	26,799	25,574
Finished goods	1,574	2,407
Total inventory	<u>\$ 39,619</u>	<u>\$ 38,692</u>

**NOTE 5—PROPERTY, PLANT AND EQUIPMENT**

The Company's property, plant and equipment consisted of the following:

<i>(in thousands)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Land and land improvements	\$ 15,764	\$ 7,925
Buildings and building improvements	8,835	8,791
Machinery and equipment	62,331	61,822
Assets under construction	186,236	134,327
Mineral rights	438,719	437,376
Property, plant and equipment	711,885	650,241
Less: Accumulated depreciation and depletion	(43,397)	(39,629)
Property, plant and equipment, net	<u>\$ 668,488</u>	<u>\$ 610,612</u>

**Capitalized Costs:** The Company capitalized expenditures of \$68.0 million and \$27.3 million for the three months ended March 31, 2022 and 2021, respectively. Capitalized expenditures for the three months ended March 31, 2022, related to assets under construction to support the Company's Stage II optimization project and its rare earth metal, alloy and magnet manufacturing facility as a part of Stage III, including the purchase of approximately 18 acres of land in Fort Worth, Texas, in February 2022. Capitalized expenditures for the three months ended March 31, 2021, mostly related to vehicles, machinery, equipment, and assets under construction to support the Stage II optimization project and other capital projects at Mountain Pass.

**Government Awards:** In November 2020, the Company was awarded a Defense Production Act Title III technology investment agreement ("TIA") from the Department of Defense ("DOD") to establish domestic processing for separated light rare earth elements in the amount of \$9.6 million. During the three months ended March 31, 2022, pursuant to the TIA, the Company has received \$5.1 million in reimbursements from the DOD. The funds received reduced the carrying amount of certain fixed assets associated with the Company's Stage II optimization project, which are currently included in "Assets under construction." As of March 31, 2022, the Company is entitled to receive an additional \$0.1 million from the DOD under the TIA.

In February 2022, the Company was awarded a \$35.0 million contract by the DOD's Office of Industrial Base Analysis and Sustainment Program to design and build a facility to process heavy rare earth elements ("HREE") at Mountain Pass (the "HREE Production Project Agreement"). The Company must utilize the funds to acquire property and equipment that will contribute to commercial-scale production of separated HREE at Mountain Pass. The Company will be paid fixed amounts upon the completion of certain project milestones. In exchange for these funds, the DOD will have certain rights to technical data following the completion of the project. The funds received pursuant to the HREE Production Project Agreement will reduce the carrying amount of the fixed assets associated with the Company's HREE separations facility, which will tie into the Company's other Stage II facilities.

The Company's depreciation and depletion expense were as follows:

<i>(in thousands)</i>	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Depreciation expense	\$ 2,101	\$ 1,529
Depletion expense	\$ 3,069	\$ 4,531

There were no impairments recognized for the three months ended March 31, 2022 and 2021.

**NOTE 6—DEBT OBLIGATIONS**

The Company's current and non-current portions of long-term debt were as follows:

<i>(in thousands)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Long-term debt</b>		
Convertible Notes due 2026	\$ 690,000	\$ 690,000
Less: Unamortized debt issuance costs	(14,196)	(15,073)
Net carrying amount	675,804	674,927
Less: Current installments of long-term debt	—	—
Long-term debt, net of current portion	<u>\$ 675,804</u>	<u>\$ 674,927</u>
<b>Long-term debt to related party</b>		
Offtake Advances	\$ —	\$ 16,599
Less: Unamortized debt discount	—	(517)
Net carrying amount	—	16,082
Less: Current installments of long-term debt to related party	—	(16,082)
Long-term debt to related party, net of current portion	<u>\$ —</u>	<u>\$ —</u>

**Convertible Notes**

In March 2021, the Company issued \$690.0 million aggregate principal amount of 0.25% unsecured green convertible senior notes that mature, unless earlier converted, redeemed or repurchased, on April 1, 2026 (the "Convertible Notes"), at a price of par. Interest on the Convertible Notes is payable on April 1<sup>st</sup> and October 1<sup>st</sup> of each year, beginning on October 1, 2021. The Convertible Notes may, at the Company's election, be settled in cash, shares of common stock of the Company, or a combination thereof. The Company has the option to redeem the Convertible Notes, in whole or in part, beginning on April 5, 2024.

The Convertible Notes are convertible into shares of the Company's common stock at an initial conversion price of \$44.28 per share, or 22.5861 shares, per \$1,000 principal amount of notes, subject to adjustment upon the occurrence of certain corporate events. However, in no event will the conversion price exceed 28.5714 shares of common stock per \$1,000 principal amount of notes. As of March 31, 2022, based on the conversion price, the maximum number of shares that could be issued to satisfy the conversion feature of the Convertible Notes was 19,714,266 and the amount by which the Convertible Notes' if-converted value exceeded its principal amount was \$440.4 million.

**Offtake Advances**

Under the A&R Offtake Agreement, a portion of the sales prices of products sold to Shenghe was paid in the form of debt reduction, rather than cash. In addition, the Company had to pay the following amounts to Shenghe in cash to reduce the debt obligation until repaid in full: (i) an agreed-upon percentage of sales of products to parties other than Shenghe under the A&R Offtake Agreement; (ii) 100% of net profits from asset sales; and (iii) 100% of net income determined under GAAP, less the tax-effected amount of total non-cash recoupment from sales of products to Shenghe. For the three months ended March 31, 2022 and 2021, \$14.2 million and \$9.2 million, respectively, of the sales prices of products sold to Shenghe was paid in the form of debt reduction (see [Note 14, "Supplemental Cash Flow Information"](#)). During the three months ended March 31, 2022, the Company made a payment to Shenghe of \$0.2 million based on sales to other parties. No amounts were required to be paid based on asset sales.

The A&R Offtake Agreement did not have a stated rate (and was non-interest-bearing), and repayment was contingent on a number of factors, including market prices realized by Shenghe, the Company's sales to other parties, asset sales, and the Company's annual net income. The imputed interest rate was a function of this discount taken together with our expectations about the timing of the anticipated reductions of the principal balance. The Company had determined that it would recognize adjustments from these estimates following a prospective method where the Company updated its estimate of the effective interest rate in future periods based on revised estimates of the timing of remaining principal reductions at that time. The effective rate applicable from the June 5, 2020, inception to March 31, 2022, was between 4.41% and 24.75%.

As discussed in [Note 3, “Relationship and Agreements with Shenghe.”](#) the Company made a \$2.9 million payment to Shenghe in March 2022. Upon payment by the Company, the Prepaid Balance was repaid in full, and the A&R Offtake Agreement was terminated.

**Tariff-Related Rebates:** In May 2020, the government of the People’s Republic of China suspended certain tariffs that had been charged to consignees of our product on imports, and provided such relief retroactive to March 2020. In addition, Shenghe began negotiating for tariff rebates from sales prior to March 2020, which affected Shenghe’s realized prices, and thus the Prepaid Balance. These, in turn, affected the Company’s realized prices on prior sales. While additional tariff rebates were possible, the Company did not have insight into Shenghe’s negotiations or their probability of success, and such negotiations were outside of the Company’s control. Thus, the Company fully constrained estimates of any future tariff rebates that may have been realized at that time.

In January 2021, the Company received information from Shenghe regarding its successful negotiation of additional tariff rebates. Consequently, the Company revised its estimates of variable consideration and recognized \$2.0 million of revenue for the three months ended March 31, 2021. Additionally, for the three months ended March 31, 2021, the Company recorded a reduction in the principal balance of the debt obligation and the corresponding debt discount of \$2.2 million and \$0.2 million, respectively.

### **Equipment Notes**

The Company has entered into several financing agreements for the purchase of equipment, including trucks, tractors, loaders, graders, and various other machinery. The Company’s equipment notes, which are secured by the purchased equipment, have terms of between 4 to 5 years and interest rates of between 0.0% and 6.5% per annum.

The current and non-current portions of the equipment notes, which are included within the unaudited Condensed Consolidated Balance Sheets in “Other current liabilities” and “Other non-current liabilities,” respectively, were as follows:

<i>(in thousands)</i>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
<b>Equipment notes</b>		
Current	\$ 2,484	\$ 2,566
Non-current	6,514	7,095
	<u>\$ 8,998</u>	<u>\$ 9,661</u>

### **Interest expense**

Interest expense related to the Convertible Notes was as follows:

<i>(in thousands)</i>	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Coupon interest	\$ 431	\$ 24
Amortization of debt issuance costs	877	48
Convertible Notes interest expense	<u>\$ 1,308</u>	<u>\$ 72</u>

The debt issuance costs are being amortized to interest expense over the term of the Convertible Notes at an effective interest rate of 0.51%. The remaining term of the Convertible Notes was 4.0 years as of March 31, 2022.

As of March 31, 2022, none of the agreements or indentures governing our indebtedness contain financial covenants.

## **NOTE 7—ASSET RETIREMENT AND ENVIRONMENTAL OBLIGATIONS**

### **Asset Retirement Obligations**

The Company estimates asset retirement obligations (“AROs”) based on the requirements to reclaim its mine pit and related processing and separations facilities at Mountain Pass. Minor reclamation activities related to discrete portions of the Company’s operations are ongoing. As of March 31, 2022, the Company estimated a significant portion of the cash outflows for the major reclamation and the retirement of Mountain Pass will be incurred beginning in 2057.

In June 2021, San Bernardino County approved the Company's re-zoning request for certain of its properties such that certain of the Company's processing facilities would be zoned for industrial end uses as opposed to the prior "resource conservation" designation, which may obviate the Company's current requirement to demolish and reclaim the impacted areas. In March 2022, based on the Company's preliminary evaluation of the impact of the re-zoning, the Company submitted a revised reclamation plan to San Bernardino County for review. After acceptance of the reclamation plan by San Bernardino County and final approval by the State of California, which have not yet occurred as of March 31, 2022, the Company will update the estimated cash flows underlying its ARO, as the Company's existing reclamation obligations will not be legally reduced until such approval is obtained.

As of March 31, 2022, the credit-adjusted risk-free rate ranged between 6.5% and 8.2% depending on the timing of expected settlement and when the layer or increment was recognized. There were no significant increments or decrements for the three months ended March 31, 2022 and 2021.

The balance as of March 31, 2022, and December 31, 2021, included current portions of \$0.1 million. The total estimated future undiscounted cash flows required to satisfy the AROs were \$167.2 million and \$167.3 million as of March 31, 2022, and December 31, 2021, respectively.

The Company is required to provide the applicable government agencies with financial assurances relating to the closure and reclamation obligations. As of both March 31, 2022, and December 31, 2021, the Company had financial assurance requirements of \$39.0 million, which were satisfied with surety bonds placed with the California state and regional agencies.

### ***Environmental Obligations***

The Company assumed certain environmental remediation liabilities related to the monitoring of groundwater contamination. The Company engaged an environmental consultant to develop a remediation plan and remediation cost projections based upon that plan. Utilizing the remediation plan developed by the environmental consultant, management developed an estimate of future cash payments for the remediation plan.

As of March 31, 2022, management estimated the cash outflows related to these environmental activities will be incurred annually over the next 26 years. The Company's environmental remediation liabilities are measured at the expected value of future cash outflows discounted to their present value using a discount rate of 2.93%. There were no significant changes in the estimated remaining remediation costs for the three months ended March 31, 2022 and 2021.

The total estimated aggregate undiscounted cost of \$27.6 million and \$27.7 million as of March 31, 2022, and December 31, 2021, respectively, was principally related to water monitoring and treatment activities required by state and local agencies. Based on management's best estimate of the cost and timing and the assumption that payments are considered to be fixed and reliably determinable, the Company has discounted the liability. The balance as of March 31, 2022, and December 31, 2021, included current portions of \$0.5 million.

### **NOTE 8—INCOME TAXES**

The Company calculates the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate to its year-to-date pretax book income or loss. The tax effects of discrete items, including but not limited to, excess tax benefits associated with stock-based compensation, valuation allowance adjustments based on new evidence and enactment of tax laws, are reported in the interim period in which they occur. The effective tax rate (income taxes as a percentage of income or loss before income taxes) including discrete items was 24.5% and 21.8% for the three months ended March 31, 2022 and 2021, respectively. Our effective income tax rate can vary from period to period depending on, among other factors, percentage depletion, executive compensation deduction limitations, other permanent book/tax items, and changes to our valuation allowance, if any. Certain of these and other factors, including our history and projections of pretax earnings, are considered in assessing our ability to realize our net deferred tax assets.

### **NOTE 9—COMMITMENTS AND CONTINGENCIES**

**Litigation:** The Company may become party to lawsuits, administrative proceedings and government investigations, including environmental, regulatory, and other matters, in the ordinary course of business. Large, and sometimes unspecified, damages or penalties may be sought in some matters, and certain matters may require years to resolve.

In January 2019, a former employee filed a complaint with the California Labor & Workforce Development Agency alleging numerous violations of California labor law, and subsequently filed a representative action against the Company. In

October 2021, we entered into a memorandum of understanding to settle the lawsuit in the amount of \$1.0 million, including legal fees, subject to the court's approval of the class settlement.

#### **NOTE 10—STOCK-BASED COMPENSATION**

**2020 Incentive Plan:** In November 2020, the Company's stockholders approved the MP Materials Corp. 2020 Stock Incentive Plan (the "2020 Incentive Plan"), which permits the Company to issue stock options (incentive and/or non-qualified); stock appreciation rights; restricted stock, restricted stock units, and other stock awards; and performance awards. As of March 31, 2022, there were 6,596,361 shares available for future grants under the 2020 Incentive Plan.

**Stock-Based Compensation:** During the three months ended March 31, 2022 and 2021, the Company recognized \$9.8 million and \$5.7 million, respectively, of stock-based compensation expense, which is principally included in the unaudited Condensed Consolidated Statements of Operations in "Selling, general and administrative." Additionally, during the three months ended March 31, 2022, the Company capitalized \$0.4 million of stock-based compensation to "Property, plant and equipment." No stock-based compensation was capitalized to "Property, plant and equipment" during the three months ended March 31, 2021.

#### **NOTE 11—FAIR VALUE MEASUREMENTS**

ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820"), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2* Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, quoted prices or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability and model-based valuation techniques (e.g., the Black-Scholes model) for which all significant inputs are observable in active markets.
- Level 3* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy. The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate. The fair value of the Company's accounts receivable, accounts payable, short-term debt and accrued liabilities approximates the carrying amounts because of the immediate or short-term maturity of these financial instruments.

##### ***Cash, Cash Equivalents and Restricted Cash***

The Company's cash, cash equivalents and restricted cash are classified within Level 1 of the fair value hierarchy. The carrying amounts reported in the unaudited Condensed Consolidated Balance Sheets approximate the fair value of cash, cash equivalents and restricted cash due to the short-term nature of these assets.

##### ***Convertible Notes***

The fair value of the Company's Convertible Notes is estimated based on quoted prices in active markets and is classified as a Level 1 measurement.

##### ***Offtake Advances***

The Company's Offtake Advances were classified within Level 3 of the fair value hierarchy as of December 31, 2021, because there were unobservable inputs that followed an imputed interest rate model to calculate the amortization of the embedded debt discount, which was recognized as non-cash interest expense, by estimating the timing of anticipated payments and reductions of the debt principal balance. This model-based valuation technique, for which there were unobservable inputs, was used to estimate the fair value of the liability classified within Level 3 of the fair value hierarchy as of December 31, 2021.

### Equipment Notes

The Company's equipment notes are classified within Level 2 of the fair value hierarchy because there are inputs that are directly observable for substantially the full term of the liability. Model-based valuation techniques for which all significant inputs are observable in active markets were used to calculate the fair values of liabilities classified within Level 2 of the fair value hierarchy.

As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The carrying amounts and estimated fair values by input level of the Company's financial instruments were as follows:

		<b>March 31, 2022</b>				
<i>(in thousands)</i>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets:</b>						
Cash and cash equivalents	\$ 1,233,300	\$ 1,233,300	\$ 1,233,300	\$ —	\$ —	
Restricted cash	\$ 1,115	\$ 1,115	\$ 1,115	\$ —	\$ —	
<b>Financial liabilities:</b>						
Convertible Notes	\$ 675,804	\$ 1,001,432	\$ 1,001,432	\$ —	\$ —	
Equipment notes	\$ 8,998	\$ 8,817	\$ —	\$ 8,817	\$ —	
		<b>December 31, 2021</b>				
<i>(in thousands)</i>	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets:</b>						
Cash and cash equivalents	\$ 1,179,297	\$ 1,179,297	\$ 1,179,297	\$ —	\$ —	
Restricted cash	\$ 1,860	\$ 1,860	\$ 1,860	\$ —	\$ —	
<b>Financial liabilities:</b>						
Convertible Notes	\$ 674,927	\$ 880,026	\$ 880,026	\$ —	\$ —	
Offtake Advances	\$ 16,082	\$ 16,501	\$ —	\$ —	\$ 16,501	
Equipment notes	\$ 9,661	\$ 9,737	\$ —	\$ 9,737	\$ —	

### NOTE 12—EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method or the if-converted method, as applicable.

The following table reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Weighted-average shares outstanding, basic</b>	176,355,566	168,922,566
Assumed conversion of public warrants <sup>(1)</sup>	—	7,922,357
Assumed conversion of Convertible Notes	15,584,409	1,038,961
Assumed conversion of restricted stock	1,148,539	1,176,133
Assumed conversion of restricted stock units	401,816	259,472
<b>Weighted-average shares outstanding, diluted</b>	<b>193,490,330</b>	<b>179,319,489</b>

- (1) Warrants to purchase 11,499,968 shares of the Company's common stock at \$11.50 per share were issued in connection with Fortress Value Acquisition Corp.'s initial public offering pursuant to a warrant agreement, dated April 29, 2020, by and between the Company and Continental Stock Transfer & Trust Company, as warrant agent. The warrants were redeemed through a cashless exercise in the second quarter of 2021.

The following table presents the calculation of basic and diluted EPS for the Company's common stock:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<i>(in thousands, except share and per share data)</i>		
<b>Calculation of basic EPS:</b>		
Net income	\$ 85,551	\$ 16,119
Weighted-average shares outstanding, basic	176,355,566	168,922,566
Basic EPS	<u>\$ 0.49</u>	<u>\$ 0.10</u>
<b>Calculation of diluted EPS:</b>		
Net income	\$ 85,551	\$ 16,119
Interest expense, net of tax <sup>(1)</sup> :		
Convertible Notes	988	57
Diluted income	\$ 86,539	\$ 16,176
Weighted-average shares outstanding, diluted	193,490,330	179,319,489
Diluted EPS	<u>\$ 0.45</u>	<u>\$ 0.09</u>

(1) The three months ended March 31, 2022 and 2021, were tax-effected at a rate of 24.5% and 21.8%, respectively.

#### NOTE 13—RELATED-PARTY TRANSACTIONS

**Product Sales and Cost of Sales:** The Company and Shenghe enter into sales agreements in which Shenghe purchases the Company's rare earth products at sale prices based on the ultimate market price of the product realized by Shenghe upon sales to their customers. Product sales from these agreements with Shenghe were \$155.0 million and \$59.7 million for the three months ended March 31, 2022 and 2021, respectively. Additionally, in March 2022, the Company entered into a sales agreement with Shenghe for certain stockpiles of rare earth fluoride ("REF"). Sales of REF, which are included in the unaudited Condensed Consolidated Statements of Operations in "Other sales (including related party)," were \$4.1 million for the three months ended March 31, 2022. Cost of sales, which includes shipping and freight, related to these agreements with Shenghe was \$22.6 million and \$17.8 million for the three months ended March 31, 2022 and 2021, respectively.

**Purchases:** The Company purchases certain reagent products (produced by an unrelated third-party manufacturer) used in the flotation process from Shenghe. Total purchases for the three months ended March 31, 2022 and 2021, totaled \$1.2 million and \$0.7 million, respectively.

**Accounts Receivable:** As of March 31, 2022, and December 31, 2021, \$32.0 million and \$49.9 million of the accounts receivable, respectively, and as stated on the unaudited Condensed Consolidated Balance Sheets, were receivable from and pertained to sales made to Shenghe in the ordinary course of business.

**Indebtedness:** The Company's related-party debt is described in [Note 6, "Debt Obligations."](#)

#### NOTE 14—SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information and non-cash investing and financing activities were as follows:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<i>(in thousands)</i>		
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 83	\$ 39
Cash payment (refund) related to income taxes	\$ 2,500	\$ (6)
<b>Supplemental non-cash investing and financing activities:</b>		
Property, plant and equipment acquired with seller-financed equipment notes	\$ —	\$ 9,407
Property, plant and equipment purchased but not yet paid	\$ 13,096	\$ 7,985
Finance right-of-use assets obtained in exchange for finance lease liabilities	\$ —	\$ 36
Revenue recognized in exchange for debt principal reduction	\$ 13,566	\$ 11,276

**NOTE 15—SUBSEQUENT EVENTS**

In April 2022, the Company entered into a definitive long-term supply agreement with General Motors Company (NYSE: GM) (“GM”) to supply U.S.-sourced and manufactured rare earth materials, alloy and finished magnets for the electric motors in more than a dozen models using GM’s Ultium Platform, with a gradual production ramp that is expected to begin in late 2023, starting with alloy. The definitive long-term supply agreement solidifies the terms of a binding agreement announced by the Company in December 2021.

## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of financial condition, results of operations, liquidity and capital resources should be read in conjunction with, and is qualified in its entirety by, the unaudited Condensed Consolidated Financial Statements and the notes thereto included in this Quarterly Report on Form 10-Q (“Form 10-Q”), and the Consolidated Financial Statements and notes thereto and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in the Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2021. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under “Part II. Item 1A. Risk Factors” and elsewhere in this Form 10-Q and “Part I. Item 1A. Risk Factors” and elsewhere in our Form 10-K. In addition, see “[Cautionary Note Regarding Forward-Looking Statements](#).” References herein to the “Company,” “we,” “our,” and “us,” refer to MP Materials Corp. and its subsidiaries.*

### Overview

MP Materials Corp. is the largest producer of rare earth materials in the Western Hemisphere. The Company owns and operates the Mountain Pass Rare Earth Mine and Processing Facility (“Mountain Pass”), the only rare earth mining and processing site of scale in North America. We estimate the rare earth concentrate we produced and sold in 2021 represented approximately 15% of the rare earth content consumed in the global market.

Rare earth elements (“REE”) are fundamental building blocks of the modern economy, impacting trillions of dollars in global economic activity through the enablement of end products across industries including transportation, clean energy, robotics, national defense and consumer electronics, among others. Neodymium (“Nd”) and praseodymium (“Pr”) are rare earth elements which in combination form neodymium-praseodymium (“NdPr”), which represents a majority of the value contained in our rare earth concentrate. NdPr is most often utilized in NdPr magnets, which are also commonly referred to as “neo,” “NdFeB,” “NIB,” or permanent magnets and are made predominantly from an alloy of NdPr, iron and boron. NdPr magnets are the most widely used type of rare earth magnets and are critical for many advanced technologies that are experiencing strong secular growth, including electric vehicles (“EV”), drones, defense systems, wind turbines, robotics and many others. The rapid growth of these and other advanced motion technologies is expected to drive substantial demand growth for NdPr.

We produce our materials at Mountain Pass, one of the world’s richest rare earth deposits, co-located with integrated state-of-the-art processing and separation facilities. We acquired the Mountain Pass assets in 2017, restarted operations from cold-idle status and embarked on a deliberate, two-stage plan to optimize the facility and position the Company for growth and profitability. We commenced mining, comminution, beneficiation, and tailings management operations, which we designated Stage I of our multi-stage optimization plan, between December 2017 and February 2018.

We currently produce a rare earth concentrate that we sell to Shenghe Resources (Singapore) International Trading Pte. Ltd. (“Shenghe”), an affiliate of Shenghe Resources Holding Co., Ltd., which, in turn, typically sells that product to refiners in China. These refiners separate the constituent REE contained in our concentrate and sell the separated products to their customers. Upon completion of our Stage II optimization project (“Stage II”), we anticipate producing separated rare earth oxides (“REO”), including NdPr oxide, and selling these products directly to end users, at which time we may no longer sell our concentrate.

In February 2022, we commenced construction of our initial rare earth metal, alloy and magnet manufacturing facility in Fort Worth, Texas (the “Fort Worth Facility”). Furthermore, in April 2022, we entered into a definitive long-term supply agreement with General Motors Company (NYSE: GM) (“GM”) to supply U.S.-sourced and manufactured rare earth materials, alloy and finished magnets for the electric motors in more than a dozen models using GM’s Ultium Platform, with a gradual production ramp that is expected to begin in late 2023, starting with alloy. The definitive long-term supply agreement solidifies the terms of a binding agreement announced by the Company in December 2021. These developments are a part of our Stage III downstream expansion strategy (“Stage III”).

**Key Performance Indicators**

We use the following key performance indicators to evaluate the performance of our business. Our calculations of these performance indicators may differ from similar measures published by other companies in our industry or in other industries. The following table presents our key performance indicators:

<i>(in whole units or dollars, except percentages)</i>	For the three months ended March 31,		Change	
	2022	2021	\$	%
REO production volume (MTs)	10,828	9,849	979	10 %
REO sales volume (MTs)	11,706	9,793	1,913	20 %
Realized price per REO MT	\$ 13,818	\$ 5,891	\$ 7,927	135 %
Production cost per REO MT	\$ 1,594	\$ 1,475	\$ 119	8 %

**REO Production Volume**

We measure our REO-equivalent production volume for a given period in metric tons (“MTs”), our principal unit of sale. This measure refers to the REO content contained in the rare earth concentrate we produce. Our REO production volume is a key indicator of our mining and processing capacity and efficiency.

The rare earth concentrate we currently produce is a processed, concentrated form of our mined rare earth-bearing ores. While our unit of production and sale is a MT of embedded REO, the actual weight of our rare earth concentrate is significantly greater, as the concentrate also contains non-REO minerals and residual moisture from the production process. We target REO content of greater than 60% per dry MT of concentrate (referred to as “REO grade”). The elemental distribution of REO in our concentrate is relatively consistent over time and production lot. We consider this the natural distribution, as it reflects the distribution of elements contained, on average, in our ore. As noted above, upon completion of Stage II, we expect to refine our rare earth concentrate to produce separated rare earths, including NdPr oxide.

**REO Sales Volume**

Our REO sales volume for a given period is calculated in MTs. A unit, or MT, is considered sold for purposes of this performance indicator once we recognize revenue on its sale. Our REO sales volume is a key measure of our ability to convert our production into revenue.

**Realized Price per REO MT**

We calculate the realized price per REO MT for a given period as the quotient of: (i) our Total Value Realized (see below) for a given period and (ii) our REO sales volume for the same period. We define Total Value Realized, which is a non-GAAP financial measure, as our product sales adjusted for the revenue impact of tariff rebates related to prior period sales.

Realized price per REO MT is an important measure of the market price of our product. Accordingly, we calculate realized price per REO MT to reflect a consistent basis between periods by eliminating the revenue impact of tariff-related rebates. See the [“Non-GAAP Financial Measures”](#) section below for a reconciliation of our Total Value Realized, which is a non-GAAP financial measure, to our product sales, which is determined in accordance with generally accepted accounting principles in the United States (“GAAP”), as well as the calculation of realized price per REO MT.

**Production Cost per REO MT**

We calculate the production cost per REO MT for a given period as the quotient of: (i) our Production Costs (see below) for a given period and (ii) our REO sales volume for the same period. We define Production Costs, which is a non-GAAP financial measure, as our cost of sales (excluding depletion, depreciation and amortization) less stock-based compensation expense included in cost of sales, shipping and freight costs, and costs attributable to certain other sales, for a given period.

Production cost per REO MT is a key indicator of our production efficiency. As a significant portion of our cash costs of Stage I production are fixed, our production cost per REO MT is influenced by mineral recovery, REO grade, plant feed rate and production uptime. See the [“Non-GAAP Financial Measures”](#) section below for a reconciliation of our Production Costs, which is a non-GAAP financial measure, to our cost of sales (excluding depletion, depreciation and amortization), which is determined in accordance with GAAP, as well as the calculation of production cost per REO MT.

## **Key Factors Affecting Our Performance**

We believe we are uniquely positioned to capitalize on the key trends of electrification and supply chain security, particularly as domestic EV production grows. Our success depends to a significant extent on our ability to take advantage of the following opportunities and meet the challenges associated with them.

### ***Demand for REE***

The key demand driver for REE is their use in a diverse array of growing end markets, including: clean-energy and transportation technologies (e.g., traction motors in EVs and generators in wind power turbines); high-technology applications (e.g., miniaturization of smart phones and other mobile devices, fiber optics, lasers, robotics, medical devices, etc.); critical defense applications (e.g., guidance and control systems, global positioning systems, radar and sonar, drones, etc.); and essential industrial infrastructure (e.g., advanced catalyst applications in oil refining and pollution-control systems in traditional internal-combustion automobiles, etc.). We believe these drivers will fuel the continued growth of the rare earth market, particularly the market for NdPr and permanent magnets.

We believe we benefit from several demand tailwinds for REE, and particularly for NdPr. These include the trend toward geographic supply chain diversification, particularly in relation to China, the U.S. government strategy to restore domestic supply of key minerals, and the increasing acceptance of environmental, social and governance mandates. However, changes in technology may also drive down the use of REE, including NdPr, in the components in which they are now used, or lead to a decline in reliance on such components altogether. We also operate in a competitive industry, and many of our key competitors are based in China, where competitors may not be subject to the same rigorous environmental standards and production costs are typically lower than in the United States.

### ***Maximizing Production Efficiency***

In 2021, REO production was approximately 3.5x greater than the highest ever production in a twelve-month period by the prior operator of Mountain Pass using principally the same capital equipment. We achieved these results through an optimized reagent scheme, lower process temperatures, better management of the tailings facility, and a commitment to operational excellence, driving approximately 95% uptime. We also believe that our Stage I optimization initiatives enabled us to achieve world-class production cost levels for rare earth concentrate.

The success of our business reflects our ability to manage our costs. Our production achievements in Stage I have provided economies of scale to lower production costs per unit of REO produced in concentrate. Stage II is designed to enable us to continue to manage our cost structure for separating REE through an optimized facility process flow. The reintroduction of the oxidizing roasting step will allow us to capitalize on the inherent advantages of the bastnaesite ore at Mountain Pass, which is uniquely suitable to low-cost refining by selectively eliminating the need to carry lower-value cerium through the separations process. The recommissioning of our natural gas-powered combined heat and power (“CHP”) plant, which was completed in December 2021, removed our reliance on the regional electric power grid. Further, our location offers significant transportation advantages that create meaningful cost efficiencies in securing incoming supplies and shipping of our final products.

We currently operate a single site in a single location, and any stoppage in activity, including for reasons outside of our control, could adversely impact our production, results of operations and cash flows. In addition, several of our current and potential competitors are government supported and may have access to substantially greater capital, which may allow them to make similar or greater efficiency improvements or undercut market prices for our product.

### ***Development of Our REE Refining Capabilities and Other Opportunities***

Stage II is focused on advancing our operations from the production of rare earth concentrate to the separation of individual REE. Engineering, procurement, construction, and other recommissioning activities are underway and involve upgrades and enhancements to the existing facility process flow to reliably produce separated REE at a lower cost and with an expected smaller environmental footprint per unit of REO produced. As part of Stage II, we are in the process of reintroducing an oxidizing roasting circuit, reorienting the plant process flow, increasing product finishing capacity, improving wastewater management, and making other improvements to materials handling and storage. Upon completion of Stage II, we expect to be a global low-cost, high-volume producer of NdPr oxide, which represents a majority of the value contained in our concentrate.

Further, we are pursuing opportunities to integrate further downstream into the business of upgrading NdPr into metal alloys and magnets, including magnet recycling, ultimately expanding our presence as a global source for rare earth magnetics, as evidenced by our recent announcement to build the Fort Worth Facility. We believe integration into magnet production will provide some protection from commodity pricing volatility, while also enhancing our business profile as the producer of a

critical industrial output in addition to a producer of resources. We expect our Stage III efforts to continue to benefit from geopolitical developments, including initiatives to repatriate critical materials supply chains.

In February 2022, we were awarded a \$35.0 million contract by the Department of Defense's Office of Industrial Base Analysis and Sustainment Program to design and build a facility to process heavy rare earth elements ("HREE"). Successful completion of this project will establish the first processing and separation facility of its kind for HREEs in support of commercial and defense applications in the United States. The HREE processing and separations facility will be built at Mountain Pass and tie into our other Stage II facilities.

### ***Our Mineral Reserves***

Our ore body has proven over more than 60 years of operations to be one of the world's largest and highest-grade rare earth resources. As of September 30, 2021, SRK Consulting (U.S.), Inc., an independent consulting firm that we retained to assess our reserves, estimates total proven and probable reserves of 2.1 million short tons of REO contained in 30.4 million short tons of ore at Mountain Pass, with an average ore grade of 6.36%. These estimates use an estimated economical cut-off of 2.49% total rare earth oxide. Based on these estimated reserves and our expected annual production rate of REO upon completion of Stage II, as of September 30, 2021, our expected mine life was approximately 35 years. We expect to be able to continue to grow our expected mine life through exploratory drilling programs over time.

Mining activities in the United States are heavily regulated, particularly in California. Regulatory changes may make it more challenging for us to access our reserves. In addition, new mineral deposits may be discovered elsewhere, which could make our operations less competitive.

### **Recent Developments and Comparability of Results**

#### ***Offtake Agreement with Shenghe***

In March 2022, the Company entered into an offtake agreement with Shenghe (the "Offtake Agreement"), which became effective upon the termination of the A&R Offtake Agreement (as discussed and defined in [Note 3, "Relationship and Agreements with Shenghe,"](#) in the notes to the unaudited Condensed Consolidated Financial Statements). The initial term of the Offtake Agreement is two years, with the option to extend the term at the Company's discretion for an additional one-year period. See the ["Liquidity and Capital Resources"](#) section below for additional information on the termination of the A&R Offtake Agreement.

Pursuant to the Offtake Agreement, and subject to certain exclusions, Shenghe shall purchase on a "take or pay" basis the rare earth concentrate produced by the Company as the exclusive distributor in China, with certain exceptions for the Company's direct sales globally. In addition, at the discretion of the Company, Shenghe may be required to purchase on a "take or pay" basis certain non-concentrate rare earth products, although the Company may sell all non-concentrate rare earth products in its sole discretion to customers or end users in any jurisdiction. Under the Offtake Agreement, Shenghe will be paid a variable commission on net proceeds to the Company.

The sales price of rare earth concentrate sold to Shenghe is based on an agreed-upon price per MT, subject to certain quality adjustments depending on the measured characteristics of the product, with an adjustment for the ultimate market price of the product realized by Shenghe upon sales to their customers. The sales price and other terms applicable to a quantity of offtake products are set forth in monthly purchase agreements between the Company and Shenghe.

#### ***Tariff-Related Rebates***

Starting in May 2020, the government of the People's Republic of China granted retroactive tariff relief to certain importers of rare earth minerals including Shenghe and its affiliates and other consignees of our products, relating to periods prior to the formal lifting of the tariffs. As a result, Shenghe's actual realized prices for the REO sold prior to May 2020 were higher than originally reported to us and resulted in tariff rebates to end customers, which contractually were due to Shenghe. On account of these rebates in the first quarter of 2021, we received from Shenghe a credit against our contractual commitments to them.

#### ***Impact of the COVID-19 Pandemic***

In December 2019, a novel strain of coronavirus (known as "COVID-19") began to impact the population of China. In March 2020, the outbreak of COVID-19 was declared a global pandemic after growing both in the United States and globally. The responses by governments, societies, and private sector entities to the COVID-19 pandemic, which include temporary

closures of businesses, social distancing, travel restrictions, “shelter in place,” and other governmental regulations and various economic stimulus programs, have significantly impacted market volatility and general global economic conditions, including significant business and supply chain disruption as well as broad-based changes in supply and demand.

Since the onset of the COVID-19 pandemic in the first quarter of 2020, we have experienced, at times, significant shipping delays due to congestion and slowdowns at U.S. and international ports caused by shortages in vessels, containers, and truckers, also disrupting the global supply chain. Congestion and slowdowns have affected and may continue to affect the capacity at ports to receive deliveries of products or the loading of shipments onto vessels. Despite these factors, we have not experienced a reduction in production or sales due to the COVID-19 pandemic; however, the COVID-19 pandemic has contributed to certain cost and schedule pressures on the Stage II optimization project. The Company has worked proactively and diligently to adjust working schedules and hours to optimize logistics and shipping, which has thus far prevented a significant negative impact on our product sales and has mitigated certain impacts on Stage II construction and recommissioning progress. However, there can be no assurance that the ongoing COVID-19 pandemic will not have a negative impact on our production, sales, or growth projects in the future.

Furthermore, as the situation continues to evolve, including as a result of new and potential future variants of COVID-19, the possibility of federal or state mandates on vaccinations, or other factors that may affect international shipping and logistics or involve responses to government actions such as strikes or other disruptions, it is impossible to predict the effect and ultimate impact of the COVID-19 pandemic on the Company’s business and results of operations. The extent and duration of any business disruptions, and related financial impact, cannot be estimated at this time.

## Results of Operations

### Comparison of the Three Months Ended March 31, 2022 and 2021

The following table summarizes our results of operations:

<i>(in thousands, except percentages)</i>	For the three months ended March 31,		Change	
	2022	2021	\$	%
<b>Revenue:</b>				
Product sales	\$ 161,755	\$ 59,739	\$ 102,016	171 %
Other sales	4,503	232	4,271	1841 %
Total revenue	166,258	59,971	106,287	177 %
<b>Operating costs and expenses:</b>				
Cost of sales <sup>(1)</sup>	23,173	17,936	5,237	29 %
Selling, general and administrative	20,565	13,458	7,107	53 %
Advanced projects, development and other	1,818	125	1,693	1354 %
Depreciation, depletion and amortization	5,260	6,150	(890)	(14)%
Accretion of asset retirement and environmental obligations	418	593	(175)	(30)%
Total operating costs and expenses	51,234	38,262	12,972	34 %
<b>Operating income</b>	115,024	21,709	93,315	430 %
Other income, net	194	55	139	253 %
Interest expense, net	(1,905)	(1,154)	(751)	65 %
<b>Income before income taxes</b>	113,313	20,610	92,703	450 %
Income tax expense	(27,762)	(4,491)	(23,271)	518 %
<b>Net income</b>	\$ 85,551	\$ 16,119	\$ 69,432	431 %
<b>Adjusted EBITDA</b>	\$ 132,257	\$ 33,000	\$ 99,257	301 %
<b>Adjusted Net Income</b>	\$ 96,337	\$ 23,177	\$ 73,160	316 %

(1) Excludes depreciation, depletion and amortization.

**Revenue** consists primarily of product sales, which pertain to our sales of rare earth concentrate principally to Shenghe under the A&R Offtake Agreement for sales between January 2021 and February 2022, or the Offtake Agreement for sales beginning in March 2022. The sales price of rare earth concentrate sold to Shenghe under both agreements is based on an agreed-upon price per MT, subject to certain quality adjustments depending on the measured characteristics of the product, with an adjustment for the ultimate market price of the product realized by Shenghe upon sales to their customers.

The increase in product sales for the three months ended March 31, 2022, as compared to the prior year period, was driven by higher REO sales volume, which increased by 1,913 MTs, or 20%, to 11,706 MTs for the three months ended March 31, 2022, and a higher realized price per REO MT, which increased by 135%, reflecting higher demand for rare earth products. REO production volume increased by 979 MTs, or 10%, to 10,828 MTs for the three months ended March 31, 2022, as compared to the prior year period, primarily reflecting higher ore feed rates and mineral recoveries. The improvements were driven by continued optimization of the flotation circuit, including operational consistency, and adjustments to the reagent scheme developed through previous pilots that resulted in higher production and improved product quality.

REO sales volume varies period-to-period based on the timing of shipments, but sales volumes generally track our production volumes over time given our take-or-pay arrangement with Shenghe. See the [“Quarterly Performance Trend”](#) section below for further discussion on realized price per REO MT.

**Cost of sales (excluding depreciation, depletion and amortization)** consists of production- and processing-related labor costs (including wages and salaries, benefits, and bonuses), mining and processing supplies (such as reagents), parts and labor for the maintenance of our mining fleet and processing facilities, other facilities-related costs (such as property taxes and utilities), packaging materials, and shipping and freight costs.

Cost of sales for the three months ended March 31, 2022, increased year over year primarily due to higher REO sales volume. The increase in production cost per REO MT from \$1,475 for the three months ended March 31, 2021, to \$1,594 for the three months ended March 31, 2022, is primarily due to higher payroll costs and employee headcount, including an increase in hiring ahead of the completion of our Stage II optimization project, as well as slightly higher energy costs incurred following the restart of our CHP plant in January 2022. Cost discipline and production efficiencies achieved during the three months ended March 31, 2022, more than offset higher material and supplies costs.

Notwithstanding an increase in employee headcount as we progress toward completion of our Stage II optimization project, we believe our production cost per REO MT has stabilized in the short-term, with operating efficiencies largely offsetting raw material and logistics pressures. We anticipate additional efficiency opportunities as we increase REO production volumes in our milling and flotation circuit over time. In addition, production cost per REO MT may vary period to period based on the timing of scheduled outages of our production facilities for maintenance as well as anticipated tie-ins of certain Stage II-related facilities in the next twelve months. See the [“Quarterly Performance Trend”](#) section below for further discussion on production cost per REO MT.

**Selling, general and administrative** expenses consist primarily of accounting, finance and administrative personnel costs, including stock-based compensation expense related to these personnel; professional services (including legal, regulatory, audit and others); certain engineering expenses; insurance, license and permit costs; facilities rent and other costs; office supplies; general facilities expenses; certain environmental, health, and safety expenses; and gain or loss on sale or disposal of long-lived assets.

Selling, general and administrative expenses for the three months ended March 31, 2022, reflect an increase in stock-based compensation expense of \$4.6 million, primarily from a grant of restricted stock units made to our chief executive officer during the fourth quarter of 2021. Excluding stock-based compensation expense, selling, general and administrative expense increased by \$2.5 million, or 28%, primarily due to increases in personnel costs and other general and administrative costs.

**Advanced projects, development and other** consists principally of costs incurred in connection with research and development of new processes or to significantly enhance our existing processes, certain government contracts, and start-up costs, as well as costs incurred to support growth and development initiatives or other opportunities. Advanced projects, development and other for the three months ended March 31, 2022, increased year over year primarily due to one-time start-up costs associated with restart of our CHP plant as well as certain costs associated with our Stage III initiatives that do not qualify for capitalization.

**Depreciation, depletion and amortization** primarily consists of depreciation of property, plant and equipment and depletion of mineral rights. The year-over-year decrease in depreciation, depletion and amortization for the three months ended March 31, 2022, primarily reflects a decrease in depletion resulting from a revision to extend our estimate of the remaining useful life of the mineral rights at the beginning of the fourth quarter of 2021.

**Interest expense, net** consists of the amortization of the debt issuance costs on our Convertible Notes (as defined in the [“Liquidity and Capital Resources”](#) section below); the amortization of the discount on our debt obligation to Shenghe; and the expense associated with the 0.25% per annum interest rate on our Convertible Notes, offset by interest capitalized. Interest expense, net for the three months ended March 31, 2022, increased year over year due to the timing of the issuance of the Convertible Notes in March 2021.

**Income tax expense** consists of an estimate of U.S. federal and state income taxes in the jurisdictions in which we conduct business, adjusted for federal, state and local allowable income tax benefits, the effect of permanent differences and any valuation allowance against deferred tax assets. The effective tax rate (income taxes as a percentage of income or loss before income taxes) was 24.5% and 21.8% for the three months ended March 31, 2022 and 2021, respectively. The effective tax rates differed from the statutory tax rate of 21% primarily due to state income tax expense and a deduction limitation on officer's compensation, partially offset by the California competes tax credit awarded to us in the fourth quarter of 2021.

### Quarterly Performance Trend

While our business is not highly seasonal in nature, we sometimes experience a timing lag between production and sales, which may result in volatility in our results of operations between periods. In addition, quarterly production is impacted by the timing of scheduled outages of our production facilities for maintenance. Our realized price per REO MT for the quarterly periods prior to the second quarter of 2020 were adversely impacted by the imposition of Chinese import duties in 2018 (and subsequent increase in May 2019). The import duties were lifted in May 2020.

The following table presents our key performance indicators for the quarterly periods indicated:

<i>(in whole units or dollars)</i>	FY2022		FY2021				FY2020			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
REO production volume (MTs)	10,828	10,261	11,998	10,305	9,849	9,337	10,197	9,287	9,682	
REO sales volume (MTs)	11,706	9,674	12,814	9,877	9,793	10,320	9,429	10,297	8,321	
Realized price per REO MT	\$ 13,818	\$ 10,101	\$ 7,693	\$ 7,343	\$ 5,891	\$ 4,070	\$ 3,393	\$ 3,093	\$ 2,544	
Production cost per REO MT	\$ 1,594	\$ 1,525	\$ 1,449	\$ 1,538	\$ 1,475	\$ 1,589	\$ 1,389	\$ 1,412	\$ 1,300	

### Liquidity and Capital Resources

Liquidity refers to our ability to generate sufficient cash flows to meet the cash requirements of our business operations, including working capital and capital expenditure needs, contractual obligations, debt service and other commitments. In recent years, our principal sources of liquidity have been financing through the consummation of the business combination with Fortress Value Acquisition Corp. in November 2020, the issuance of the Convertible Notes in March 2021, and net cash from operating activities. As of March 31, 2022, we had \$1,233.3 million of cash and cash equivalents and \$690.0 million principal amount of long-term debt.

Our results of operations and cash flows depend in large part upon the market prices of REO and particularly the price of rare earth concentrate. Rare earth concentrate is not quoted on any major commodities market or exchange and demand is currently constrained to a relatively limited number of refiners, a significant majority of which are based in China. Although we believe that our cash flows from operations and cash on hand are adequate to meet our liquidity requirements for the foreseeable future, uncertainty exists as to the market price of REO, especially in light of the ongoing COVID-19 pandemic, including the emergence of new and potential future variants.

Our current working capital needs relate mainly to our mining and beneficiation operations. Our principal capital expenditure requirements relate mainly to the periodic replacement of mining or processing equipment, as well as our Stage II optimization project and related HREE project and the development of the Fort Worth Facility. Our future capital requirements will depend on several factors, including future acquisitions and potential additional investments in further downstream production.

The completion of our mission to become a fully integrated domestic magnetics producer is expected to be capital intensive. In accelerating the strategic opportunity for the separation of HREE, enhancements were made to the design and scope of the initial Stage II project. Including these enhancements and other factors impacting the remaining cost of completion, and including the initial costs of a HREE separation facility and the development and construction costs of the Fort Worth Facility as well as other growth and infrastructure investments at Mountain Pass, we expect to incur approximately \$500 million of capital costs in 2022. We expect to incur further costs to complete the HREE separation facility and the Fort Worth Facility in 2023 and 2024.

Our estimated costs or estimated time to complete these projects may increase, potentially significantly, due to factors outside of our control. While we believe that we have sufficient cash resources to fund these initiatives and operating working capital in the near term, we cannot assure this. If our available resources prove inadequate to fund our plans or commitments, we may be forced to revise our strategy and business plans or could be required, or elect, to seek additional funding through public or private equity or debt financings; however, such funding may not be available on terms acceptable to us, if at all. Any

delays in our ongoing capital projects or substantial cost increases, including construction costs and related materials costs, related to their execution could significantly impact our ability to maximize our revenue opportunities and adversely impact our business and cash flows.

### **Debt and Other Long-Term Obligations**

**Convertible Notes:** In March 2021, we issued \$690.0 million aggregate principal amount of 0.25% unsecured green convertible senior notes that mature, unless earlier converted, redeemed or repurchased, on April 1, 2026 (the “Convertible Notes”), at a price of par. Interest on the Convertible Notes is payable on April 1<sup>st</sup> and October 1<sup>st</sup> of each year, beginning on October 1, 2021.

The Convertible Notes are convertible into shares of the Company’s common stock at an initial conversion price of \$44.28 per share, or 22.5861 shares, per \$1,000 principal amount of notes, subject to adjustment upon the occurrence of certain corporate events. However, in no event will the conversion price exceed 28.5714 shares of common stock per \$1,000 principal amount of notes.

We aim to allocate an amount equal to the net proceeds from the Convertible Notes offering to existing or future investments in, or the financing or refinancing of, eligible “green projects.” Eligible green projects are intended to reduce the Company’s environmental impact and/or enable the production of low-carbon technologies. Pending such allocation of the net proceeds to eligible green projects, we intend to use the net proceeds from the Convertible Notes offering for general corporate purposes.

**Offtake Advances:** In March 2022, the Company made a \$2.9 million payment to Shenghe pursuant to an obligation under the A&R Offtake Agreement to pay Shenghe, on an annual basis, an amount equal to our annual net income, less any amounts recouped through the Gross Profit Recoupment mechanism over the course of the year, until the Prepaid Balance was reduced to zero (terms as discussed and defined in [Note 3, “Relationship and Agreements with Shenghe,”](#) in the notes to the unaudited Condensed Consolidated Financial Statements).

Upon payment by the Company, the Prepaid Balance was repaid in full, and the A&R Offtake Agreement was terminated. Prior to full repayment, the debt to Shenghe was satisfied primarily through product sales, where partial non-cash consideration was received by the Company in the form of debt reduction (generally equal to approximately 15% of the ultimate market value of the REO, excluding tariffs, duties and certain other charges).

**Equipment Notes:** We have entered into several financing agreements for the purchase of equipment, including trucks, tractors, loaders, graders, and various other machinery. As of March 31, 2022, we had \$9.0 million in principal (and accrued interest) outstanding under the equipment notes.

### **Cash Flows**

The following table summarizes our cash flows:

<i>(in thousands, except percentages)</i>	<b>For the three months ended March 31,</b>		<b>Change</b>	
	2022	2021	\$	%
Net cash provided by (used in):				
Operating activities	\$ 120,971	\$ 9,335	\$ 111,636	1196 %
Investing activities	\$ (49,802)	\$ (19,173)	\$ (30,629)	160 %
Financing activities	\$ (17,911)	\$ 671,793	\$ (689,704)	n.m.

n.m. - Not meaningful.

**Net Cash Provided by Operating Activities:** Net cash provided by operating activities increased by \$111.6 million for the three months ended March 31, 2022, as compared to the prior year period, reflecting the increase in product sales and a net increase due to the timing of receipt or payment of working capital items, such as accounts receivable and accounts payable, partially offset by the increase in our cost of sales and selling, general and administrative expenses. In addition, \$13.6 million of our product sales was excluded from cash provided by operating activities for the three months ended March 31, 2022, since that portion of the sales price was retained by Shenghe to reduce the debt obligation, compared to \$11.3 million in the prior year period.

**Net Cash Used in Investing Activities:** Net cash used in investing activities increased by \$30.6 million for the three months ended March 31, 2022, compared to the prior year period, attributable mainly to an increase in capital expenditures relating primarily to our Stage II optimization project and our Fort Worth Facility, partially offset by \$5.1 million of proceeds from a government award used for construction, specifically our Stage II optimization project.

**Net Cash Provided by (Used in) Financing Activities:** Net cash used in financing activities was \$17.9 million for the three months ended March 31, 2022, compared to net cash provided by financing activities of \$671.8 million in the prior year period. The current year period consisted primarily of tax withholding on stock-based awards and principal payments on debt obligations and finance leases while the prior year period consisted primarily of the net proceeds received from the issuance of the Convertible Notes in March 2021 of \$672.6 million.

### Non-GAAP Financial Measures

We present Total Value Realized, Production Costs, Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow, which are non-GAAP financial measures that we use to supplement our results presented in accordance with GAAP. These measures may be similar to measures reported by other companies in our industry and are regularly used by securities analysts and investors to measure companies' financial performance. Total Value Realized, Production Costs, Adjusted EBITDA, Adjusted Net Income, Adjusted Diluted EPS, and Free Cash Flow are not intended to be a substitute for any GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance or liquidity of other companies within our industry or in other industries.

#### Total Value Realized

Total Value Realized, which we use to calculate our key performance indicator, realized price per REO MT, is a non-GAAP financial measure. As mentioned above, realized price per REO MT is an important measure of the market price of our product. The following table presents a reconciliation of our Total Value Realized, to our product sales, which is determined in accordance with GAAP, as well as the calculation of realized price per REO MT:

	For the three months ended March 31,	
	2022	2021
<i>(in thousands, unless otherwise stated)</i>		
<b>Product sales</b>	\$ 161,755	\$ 59,739
<i>Adjusted for:</i>		
Tariff rebate <sup>(1)</sup>	—	(2,050)
<b>Total Value Realized</b>	161,755	57,689
<i>Divided by:</i>		
REO sales volume (in MTs)	11,706	9,793
<b>Realized price per REO MT (in dollars)<sup>(2)</sup></b>	<b>\$ 13,818</b>	<b>\$ 5,891</b>

(1) Represents non-cash revenue recognized in connection with a tariff rebate received relating to product sales from prior periods.

(2) May not recompute as presented due to rounding.

### Production Costs

Production Costs, which we use to calculate our key performance indicator, production cost per REO MT, is a non-GAAP financial measure. As mentioned above, production cost per REO MT is a key indicator of our production efficiency. The following table presents a reconciliation of our Production Costs to our cost of sales (excluding depreciation, depletion and amortization), which is determined in accordance with GAAP, as well as the calculation of production cost per REO MT:

	For the three months ended March 31,	
	2022	2021
<i>(in thousands, unless otherwise stated)</i>		
<b>Cost of sales (excluding depreciation, depletion and amortization)</b>	\$ 23,173	\$ 17,936
<i>Adjusted for:</i>		
Stock-based compensation expense <sup>(1)</sup>	(715)	(1,318)
Shipping and freight	(3,244)	(2,098)
Other <sup>(2)</sup>	(556)	(73)
<b>Production Costs</b>	<u>18,658</u>	<u>14,447</u>
<i>Divided by:</i>		
REO sales volume (in MTs)	11,706	9,793
<b>Production cost per REO MT (in dollars)<sup>(3)</sup></b>	<u>\$ 1,594</u>	<u>\$ 1,475</u>

- (1) Pertains only to the amount of stock-based compensation expense included in cost of sales.  
(2) Pertains primarily to costs (excluding shipping and freight) attributable to sales of stockpiles, including rare earth fluoride.  
(3) May not recompute as presented due to rounding.

### Adjusted EBITDA

We calculate Adjusted EBITDA as our GAAP net income before interest expense, net; income tax expense or benefit; and depreciation, depletion and amortization; further adjusted to eliminate the impact of stock-based compensation expense; transaction-related, start-up and other non-recurring costs; accretion of asset retirement and environmental obligations; gain or loss on sale or disposal of long-lived assets; tariff rebates; and other income, net. We present Adjusted EBITDA because it is used by management to evaluate our underlying operating and financial performance and trends. Adjusted EBITDA excludes certain expenses that are required in accordance with GAAP because they are non-recurring, non-cash or are not related to our underlying business performance. This non-GAAP financial measure is intended to supplement our GAAP results and should not be used as a substitute for financial measures presented in accordance with GAAP.

The following table presents a reconciliation of our Adjusted EBITDA, which is a non-GAAP financial measure, to our net income, which is determined in accordance with GAAP:

	For the three months ended March 31,	
	2022	2021
<i>(in thousands)</i>		
<b>Net income</b>	\$ 85,551	\$ 16,119
<i>Adjusted for:</i>		
Depreciation, depletion and amortization	5,260	6,150
Interest expense, net	1,905	1,154
Income tax expense	27,762	4,491
Stock-based compensation expense <sup>(1)</sup>	9,773	5,673
Transaction-related, start-up and other non-recurring costs <sup>(2)</sup>	1,525	1,058
Accretion of asset retirement and environmental obligations	418	593
Loss (gain) on sale or disposal of long-lived assets, net <sup>(3)</sup>	257	(133)
Tariff rebate <sup>(4)</sup>	—	(2,050)
Other income, net	(194)	(55)
<b>Adjusted EBITDA</b>	<u>\$ 132,257</u>	<u>\$ 33,000</u>

- (1) Principally included in "Selling, general and administrative" within our unaudited Condensed Consolidated Statements of Operations.

- (2) Amount for the three months ended March 31, 2022, is principally comprised of start-up costs that do not qualify for capitalization, which relate to the restart of our CHP plant as well as certain costs associated with our Stage III initiatives. Amount for the three months ended March 31, 2021, relates to advisory, consulting, accounting and legal expenses principally in connection with the secondary equity offering, which was completed contemporaneously with the Convertible Notes offering in March 2021.
- (3) Included in “Selling, general and administrative” within our unaudited Condensed Consolidated Statements of Operations.
- (4) Represents non-cash revenue recognized in connection with a tariff rebate received relating to product sales from prior periods.

### **Adjusted Net Income and Adjusted Diluted EPS**

We calculate Adjusted Net Income as our GAAP net income excluding the impact of depletion; stock-based compensation expense; transaction-related, start-up and other non-recurring costs; gain or loss on sale or disposal of long-lived assets; tariff rebates; and other income or loss, net; adjusted to give effect to the income tax impact of such adjustments. We calculate Adjusted Diluted EPS as our GAAP diluted earnings per share (“EPS”) excluding the per share impact, using GAAP diluted weighted-average shares outstanding as the denominator, of depletion; stock-based compensation expense; transaction-related, start-up and other non-recurring costs; gain or loss on sale or disposal of long-lived assets; tariff rebates; and other income or loss, net; adjusted to give effect to the income tax impact of such adjustments.

To calculate the income tax impact of such adjustments on a year-to-date basis, we utilize an effective tax rate equal to our income tax expense excluding material discrete costs and benefits, with any impacts of changes in effective tax rate being recognized in the current period. We present Adjusted Net Income and Adjusted Diluted EPS because it is used by management to evaluate our underlying operating and financial performance and trends.

Adjusted Net Income and Adjusted Diluted EPS exclude certain expenses that are required in accordance with GAAP because they are non-recurring, non-cash, or not related to our underlying business performance. As a result of the acquisition of Secure Natural Resources LLC, the mineral rights for the rare earth ores contained in our mine were recorded at fair value, resulting in a significant step-up of the carrying amount of the asset which caused depletion to be meaningfully higher than prior periods. While the depletion expense related to the stepped-up mineral rights asset is excluded from Adjusted Net Income and Adjusted Diluted EPS, the revenue related to such mineral rights is reflected in Adjusted Net Income and Adjusted Diluted EPS as this asset contributes to our revenue generation. These non-GAAP financial measures are intended to supplement our GAAP results and should not be used as a substitute for financial measures presented in accordance with GAAP.

The following table presents a reconciliation of our Adjusted Net Income, which is a non-GAAP financial measure, to our net income, which is determined in accordance with GAAP:

<i>(in thousands)</i>	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Net income</b>	\$ 85,551	\$ 16,119
<i>Adjusted for:</i>		
Depletion <sup>(1)</sup>	3,069	4,531
Stock-based compensation expense <sup>(2)</sup>	9,773	5,673
Transaction-related, start-up and other non-recurring costs <sup>(3)</sup>	1,525	1,058
Loss (gain) on sale or disposal of long-lived assets, net <sup>(4)</sup>	257	(133)
Tariff rebate <sup>(5)</sup>	—	(2,050)
Other income, net	(194)	(55)
Tax impact of adjustments above <sup>(6)</sup>	(3,644)	(1,966)
<b>Adjusted Net Income</b>	<b>\$ 96,337</b>	<b>\$ 23,177</b>

- (1) Represents the depletion associated with the mineral rights for the rare earth ores contained in the Company’s mine.
- (2) Principally included in “Selling, general and administrative” within our unaudited Condensed Consolidated Statements of Operations.
- (3) Amount for the three months ended March 31, 2022, is principally comprised of start-up costs that do not qualify for capitalization, which relate to the restart of our CHP plant as well as certain costs associated with our Stage III initiatives. Amount for the three months ended March 31, 2021, relates to advisory, consulting, accounting and legal expenses principally in connection with the secondary equity offering, which was completed contemporaneously with the Convertible Notes offering in March 2021.
- (4) Included in “Selling, general and administrative” within our unaudited Condensed Consolidated Statements of Operations.
- (5) Represents non-cash revenue recognized in connection with a tariff rebate received relating to product sales from prior periods.
- (6) Tax impact of adjustments is calculated using an adjusted effective tax rate, excluding the impact of discrete tax costs and benefits, to each adjustment. The adjusted effective tax rates were 25.3% and 21.8%, for the three months ended March 31, 2022 and 2021, respectively.

The following table presents a reconciliation of our Adjusted Diluted EPS, which is a non-GAAP financial measure, to our diluted EPS, which is determined in accordance with GAAP:

	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Diluted EPS</b>	\$ 0.45	\$ 0.09
<i>Adjusted for:</i>		
Depletion <sup>(1)</sup>	0.01	0.02
Stock-based compensation expense <sup>(2)</sup>	0.05	0.03
Transaction-related, start-up and other non-recurring costs <sup>(3)</sup>	0.01	0.01
Loss (gain) on sale or disposal of long-lived assets, net <sup>(4)</sup>	0.00	0.00
Tariff rebate <sup>(5)</sup>	0.00	(0.01)
Other income, net	0.00	0.00
Tax impact of adjustments above <sup>(6)</sup>	(0.02)	(0.01)
<b>Adjusted Diluted EPS</b>	<b>\$ 0.50</b>	<b>\$ 0.13</b>
<b>Diluted weighted-average shares outstanding</b>	<b>193,490,330</b>	<b>179,319,489</b>

(1) Represents the depletion associated with the mineral rights for the rare earth ores contained in the Company's mine.

(2) Principally included in "Selling, general and administrative" within our unaudited Condensed Consolidated Statements of Operations.

(3) Amount for the three months ended March 31, 2022, is principally comprised of start-up costs that do not qualify for capitalization, which relate to the restart of our CHP plant as well as certain costs associated with our Stage III initiatives. Amount for the three months ended March 31, 2021, relates to advisory, consulting, accounting and legal expenses principally in connection with the secondary equity offering, which was completed contemporaneously with the Convertible Notes offering in March 2021.

(4) Included in "Selling, general and administrative" within our unaudited Condensed Consolidated Statements of Operations.

(5) Represents non-cash revenue recognized in connection with a tariff rebate received relating to product sales from prior periods.

(6) Tax impact of adjustments is calculated using an adjusted effective tax rate, excluding the impact of discrete tax costs and benefits, to each adjustment. The adjusted effective tax rates were 25.3% and 21.8%, for the three months ended March 31, 2022 and 2021, respectively.

### Free Cash Flow

We calculate Free Cash Flow as net cash provided by operating activities less additions of property, plant and equipment, net of proceeds received from government awards used for construction. We believe Free Cash Flow is useful for comparing our ability to generate cash with that of our peers. The presentation of Free Cash Flow is not meant to be considered in isolation or as an alternative to cash flows from operating activities and does not necessarily indicate whether cash flows will be sufficient to fund cash needs.

The following table presents a reconciliation of our Free Cash Flow, which is a non-GAAP financial measure, to our net cash provided by operating activities, which is determined in accordance with GAAP:

<i>(in thousands)</i>	<b>For the three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Net cash provided by operating activities<sup>(1)</sup></b>	<b>\$ 120,971</b>	<b>\$ 9,335</b>
Additions of property, plant and equipment, net <sup>(2)</sup>	(49,802)	(19,298)
<b>Free Cash Flow</b>	<b>\$ 71,169</b>	<b>\$ (9,963)</b>

(1) Under the terms of the A&R Offtake Agreement and pursuant to the accounting treatment thereof, \$13.6 million and \$11.3 million of our product sales for the three months ended March 31, 2022 and 2021, respectively, were excluded from cash provided by operating activities since that portion of the sales price was retained by Shenghe to reduce the debt obligation.

(2) Amount for the three months ended March 31, 2022, is net of \$5.1 million in proceeds received from a government award used for construction, specifically our Stage II optimization project.

### Critical Accounting Policies

A complete discussion of our critical accounting policies is included in our Form 10-K for the year ended December 31, 2021. There have been no significant changes in our critical accounting policies during the three months ended March 31, 2022.

## **Recently Adopted and Issued Accounting Pronouncements**

Recently adopted and issued accounting pronouncements are described in [Note 2, “Significant Accounting Policies,”](#) in the notes to the unaudited Condensed Consolidated Financial Statements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in our market risk exposures for the three months ended March 31, 2022, as compared to those discussed in our Form 10-K for the year ended December 31, 2021.

## **ITEM 4. CONTROLS AND PROCEDURES**

The Company’s management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 31, 2022. Based on this evaluation, our principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2022, to ensure that information required to be disclosed by the Company in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the United States Securities and Exchange Commission’s rules and forms and (ii) accumulated and communicated to the Company’s management, including the Company’s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

There were no changes that occurred during the fiscal quarter covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may be subject to legal and governmental proceedings and claims in the ordinary course of business. We are not currently a party to any material legal or governmental proceedings, and, to our knowledge, none is threatened.

### **ITEM 1A. RISK FACTORS**

The Company’s business, reputation, results of operations and financial condition, as well as the price of the Company’s common stock, can be affected by a number of factors, whether currently known or unknown, including those described in Part I, Item 1A. “Risk Factors” in our Form 10-K for the year ended December 31, 2021. When any one or more of these risks materialize from time to time, the Company’s business, reputation, results of operations and financial condition, as well as the price of the Company’s common stock, can be materially and adversely affected. There have been no material changes to the risk factors disclosed in our Form 10-K for the year ended December 31, 2021.

### **ITEM 4. MINE SAFETY DISCLOSURES**

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in [Exhibit 95.1](#) to this Form 10-Q for the quarterly period ended March 31, 2022.

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
10.1*†††	<a href="#">Offtake Agreement, dated as of March 4, 2022, between MP Mine Operations LLC and Shenghe Resources (Singapore) International Trading PTE LTD.</a>
31.1*	<a href="#">CEO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">CFO Certification pursuant to rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">CEO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
95.1*	<a href="#">Mine Safety Disclosure pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Inline XBRL File (included in Exhibit 101).
*	Filed herewith.
**	Furnished herewith.
†	Annexes, schedules and/or exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. MP Materials Corp. agrees to furnish supplementally a copy of any omitted attachment to the SEC on a confidential basis upon request.
††	Certain portions of Exhibit 10.1 (indicated by [**]) have been omitted under rules of the SEC permitting the confidential treatment of certain information that is both (i) not material and (ii) the type of information that MP Materials Corp. treats as private or confidential.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MP MATERIALS CORP.

Dated: May 6, 2022

By: \_\_\_\_\_  
/s/ Ryan Corbett  
Ryan Corbett  
Chief Financial Officer

**CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) THE TYPE OF INFORMATION THAT MP MATERIALS CORP. TREATS AS PRIVATE OR CONFIDENTIAL. [\*\*\*] INDICATES THAT INFORMATION HAS BEEN REDACTED.**

**Exhibit 10.1**

**OFFTAKE AGREEMENT**

**BY AND BETWEEN**

**MP MINE OPERATIONS LLC**

**AND**

**SHENGHE RESOURCES (SINGAPORE) INTERNATIONAL TRADING PTE. LTD.**

**Dated as of March 4, 2022**

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## OFFTAKE AGREEMENT

THIS OFFTAKE AGREEMENT (as amended, modified, or supplemented from time to time, this “**Agreement**”) is dated as of March 4, 2022, and is entered into by and between:

MP MINE OPERATIONS LLC, a Delaware limited liability company (“**Seller**”); and

SHENGHE RESOURCES (SINGAPORE) INTERNATIONAL TRADING PTE. LTD., a private limited company organized under the laws of Singapore with its registered office at 60 Paya Lebar Road #08-05 Paya Lebar Square Singapore 409051 (“**Buyer**”).

(Each of Seller and Buyer are referred to herein individually as a “**Party**” and collectively as the “**Parties**”).

### RECITALS

WHEREAS, Seller is the owner and operator of a rare earth minerals mining and processing facility located in Mountain Pass (San Bernardino County), California (excluding the subterranean mineral rights that are owned by Secure Natural Resources LLC and leased to Seller, the “**Mountain Pass Facility**” or “**Facility**”);

WHEREAS, the Parties entered into that certain Offtake Agreement, dated as of May 22, 2017 (as amended, modified or supplemented from time to time, the “**Original Offtake Agreement**”);

WHEREAS, the Parties entered into that certain Amended & Restated Offtake Agreement, dated as of May 19, 2020 (as amended, modified or supplemented from time to time, the “**A&R Offtake Agreement**”);

WHEREAS, the A&R Offtake Agreement is expected to terminate pursuant to its terms on or about February 28, 2022. The Parties wish to enter into this Agreement for the Seller to continue to sell and the Buyer to continue to purchase Offtake Products and have entered into a Term Sheet dated as of February 14, 2022 (the “**Term Sheet**”); and

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

### ARTICLE 1 DEFINITIONS AND INTERPRETATION

**Section 1.1 Definitions.** In this Agreement, the following terms shall have the meanings specified or referred to below:

“**Affiliate**” means, with respect to any Person, any Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with

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such first Person. For purposes of the foregoing definition, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise, provided that a Person who owns greater than fifty percent (50%) of any outstanding class of voting securities of any other Person shall be deemed to control such other Person.

“**Agreement**” has the meaning set forth in the Preamble.

“**Annual Production Forecast**” has the meaning specified in Section 4.3(a).

“**Business Day**” means any day other than a Saturday, Sunday, or other day on which commercial banking institutions in Singapore, China, or New York, New York or San Bernardino, California, U.S.A. are authorized or required to be closed to the public.

“**Buyer**” has the meaning set forth in the Preamble.

“**Buyer Change of Control**” means the occurrence of any of the following events:

- (i) the shares of Shenghe cease to be listed on the Shanghai Stock Exchange;
- (ii) the sale of all or substantially all of the assets of Shenghe;
- (iii) any Person or group of Persons (excluding the current largest shareholder of Shenghe) acting together directly or indirectly becomes the beneficial owner of more than 30% of the outstanding equity interests in Shenghe and possesses the power to direct the management and policies of Shenghe; or
- (iv) Shenghe and its Affiliates cease to own more than 60% of the equity interests in Buyer.

“**Commission Fee**” has the meaning specified in Section 2.2.

“**Contract Quarter**” means a calendar quarter during a Contract Year, with the first Contract Quarter of each Contract Year commencing on the first day of January and ending on the last day of March in such Contract Year, and each subsequent Contract Quarter consisting of each subsequent consecutive three (3) Month period in such Contract Year.

“**Contract Year**” means a Year during the Term.

“**Covered Costs**” means Buyer’s costs directly related to the sale of Offtake Products, including labor costs, travel, office rent and other administration fees, charges for delivery orders, customs clearance, port surcharges, drayage, devanning, ordinary container cleaning costs, sampling, analysis, and analysis arbitration.

“**Delivery Point**” means (i) with respect to light rare earth concentrate, [\*\*\*], as specified by Buyer, in the People’s Republic of China or such other location as the Parties mutually agree, and (ii) with respect to all other Offtake Products, such location as may be mutually agreed by the Parties from time to time.

“**Dispute**” means any and all questions, claims, controversies, or disputes arising out of or relating to the validity, interpretation, performance, effect or breach of this Agreement or the rights and obligations arising hereunder.

“**Distributor(s)**” means [\*\*\*].

“**Effective Date**” has the meaning specified in Section 3.1(a).

“**Event of Default**” has the meaning specified in Section 10.1.

“**Extended Term**” has the meaning specified in Section 3.1(b).

“**Extraordinary Charges**” means any costs (i) related to extended government inspections, including due to extraordinary customs inspections, material testing holds, and associated container detention charges (ii) extraordinary cleaning or repairs from events beyond ordinary course of business not caused by Buyer and (iii) unusual transportation charges incurred by Seller due to the need to accommodate customers beyond normal distance of ultimate consignees that are agreed in advance by Buyer.

“**Facility**” has the meaning set forth in the Recitals.

“**Force Majeure**” has the meaning set forth in Section 9.1.

“**Governmental Authority**” means any unit, agency, ministry, commission, division, department, instrumentality or other similar legal authority of any branch of government (whether executive, legislative, judicial, regulatory or administrative) at any level of government (whether national, federal, regional, state, provincial, municipal, territorial or local, foreign or domestic), any self-regulatory organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.

“**Insolvency Event**” means, with respect to any Person, any one or more of the following events or circumstances:

- (i) such Person commences a voluntary case under any applicable Law concerning bankruptcy, insolvency, reorganization, or liquidation now or hereafter in effect;
- (ii) such Person consents to the entry of an order for relief in an involuntary case under any such Law or to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar official of any substantial part of its assets;
- (iii) such Person makes a general assignment for the benefit of creditors;

- (iv) such Person takes corporate or other action in furtherance of any of the foregoing; or
- (v) entry is made against such Person of a judgment, decree or order for relief affecting a substantial part of any of its assets by a court of competent jurisdiction in an involuntary case commenced under any applicable bankruptcy, insolvency, or other similar Law of any jurisdiction now or hereafter in effect and such judgment, decree or order continues unstayed and in effect for a period of sixty (60) days.

“**Initial Term**” has the meaning specified in Section 3.1(b).

“**Law**” means any law (including common law), statute, code, ordinance, constitution, treaty, rule, regulation, order, judgment, ruling, decree, proclamation, declaration, injunction, award or other direction or requirement of any Governmental Authority, including any judicial or administrative interpretation thereof.

“**Losses**” means all claims, demands, proceedings, fines, losses, damages, liabilities, obligations, deficiencies, costs, and expenses (including all reasonable legal, advisory, and other professional fees and disbursements, interest, penalties, judgments, and amounts paid in settlement of any demand, action, suit, proceeding, assessment, judgment or settlement or compromise).

“**Market Price**” means the price set forth in the applicable purchase agreement for the purchase of a particular quantity of Offtake Products by Buyer from the Seller pursuant to this Agreement as determined as follows:

- (i) with respect Offtake Products comprised of light rare earth concentrate, the price per metric ton of total rare earth oxide charged by Distributor to its customers based on rare earth market conditions. This Market Price is intended to constitute the base price charged by Distributor to unrelated third parties, subject to reconciliation and adjustment based on further laboratory analysis of representative samples of the Offtake Products; and
- (ii) with respect to any other Offtake Products, the Asia Metals Market Price for each such product either at the time of sale or averaged over a specified period of time, as mutually agreed by the Parties. If the Asia Metals Market Price is not available, the Parties will mutually agree on another widely accepted market index. If no such market index is available for a particular Offtake Product, then the Parties will negotiate in good faith and mutually agree on the pricing for such product.

“**Month**” means a calendar month.

“**Monthly Offtake Notice**” has the meaning specified in Section 4.4(c).

“**Monthly Offtake Quantities**” has the meaning specified in Section 4.4(c).

“**Monthly Production Notice**” has the meaning specified in Section 4.4(b).

“**Mountain Pass Facility**” has the meaning set forth in the Recitals.

“**Offtake Products**” means the rare earth products specified on Schedule 1 that are produced by the mining and processing operations of the Facility during the Term.

“**Offtake Shortfall**” has the meaning set forth in Section 4.8(a).

“**Party**” or “**Parties**” has the meaning set forth in the Preamble.

“**Person**” means any individual, partnership, corporation, limited liability company, cooperative, association, foundation, joint stock company, trust, joint venture, unincorporated organization, Governmental Authority, or any other entity (in each case whether or not incorporated and whether or not having a separate legal identity).

“**Production Quantities**” means, with respect to any referenced period, the types and respective quantities of all Offtake Products produced, or expected to be produced, by the Facility during such period.

“**Purchase Price**” has the meaning specified in Section 5.1.

“**Quarterly Production Notice**” has the meaning specified in Section 4.4(a).

“**Sanctioned or Designated Person**” means, any Person (a) that is, or is owned or controlled by, a Person then appearing upon the “Denied Persons List” or “Entity List,” as maintained by the U.S. Department of Commerce; or (b) that is, or is owned or controlled by, (i) a Person on the U.S. Office of Foreign Assets Control “Specially Designated Nationals and Blocked Persons List,” or any other Person with whom dealings are restricted or prohibited by the United States, including Persons resident in embargoed countries, territories, or regions; (ii) the government, including any political subdivision, agency, or instrumentality thereof, or any national, of any country, territory, or region against which the United States maintains economic sanctions or embargos; (iii) a Person acting or purporting to act, directly or indirectly, on behalf of, or a Person owned or controlled by, any of the Persons listed in sub-clauses (i) or (ii) above; or (iv) a Person with whom dealings are prohibited or restricted on account of any economic sanctions laws, regulations, or directives, of the United States, if the sale or supply, or any other transaction, directly or indirectly, to or with such Person could cause Buyer or Seller to be in violation of such laws, regulations, or directives.

“**Seller**” has the meaning set forth in the Preamble.

“**Shenghe**” means Shenghe Resources Holding Co. Ltd, a company organized under the laws of the People’s Republic of China.

“**SWB**” has the meaning specified in Section 5.2(a).

“**Tax**” or “**Taxes**” means all taxes, assessments and other governmental charges, duties, royalties and impositions, including any interest, penalties, tax installment payments or other

additions that may become payable in respect thereof, imposed by any Governmental Authority, which taxes shall include all income or profits taxes (including federal, provincial, state and local income taxes), tariffs, non-resident withholding taxes, sales and use taxes, branch profit taxes, ad valorem taxes, excise taxes, harmonized sales taxes, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, production taxes, transfer taxes, land transfer taxes, capital taxes, extraordinary income taxes, surface area taxes, property taxes, asset transfer taxes, and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing.

“**Term**” has the meaning specified in Section 3.1(b).

“**USD**” means United States Dollars.

“**Weekly Shipping Forecast**” has the meaning specified in Section 4.5.

“**Year**” means the period from 1 January to 31 December in any calendar year.

## **Section 1.2 Interpretation.**

(a) When a reference is made in this Agreement to an Article, Section, Schedule or Exhibit, such reference shall be to an Article, Section, Schedule, or Exhibit of or to this Agreement, unless the context requires otherwise.

(b) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(c) Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(d) Whenever the words “hereof,” “herein,” “hereunder” or “hereto” are used in this Agreement, they shall be deemed to refer to this entire Agreement and not any particular provision.

(e) References in this Agreement to (i) “\$” shall mean United States Dollars, and (ii) the singular shall include the plural, and the plural shall include the singular, unless the context requires otherwise.

(f) References in this Agreement to (i) any agreement, instrument or other document means such agreement, instrument or other document and any attachments, exhibits, annexes and schedules thereto, in each case, as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof, or (ii) any statute includes all regulations promulgated under such statute, and any reference to a statute or regulation includes the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation.

(g) This Agreement shall be construed according to its fair meaning, taken as a whole, as if it had been prepared jointly by the Parties, and not as if it had been prepared by one Party.

## **ARTICLE 2 SALE AND PURCHASE OF OFFTAKE PRODUCTS**

**Section 2.1 Sale and Purchase of Offtake Products.** Subject to and in accordance with the terms and conditions of this Agreement, Seller agrees to sell and deliver to Buyer the Offtake Products in the quantities determined in accordance with Section 4.2 and Section 4.4, and Buyer agrees to purchase and take delivery of, all such Offtake Products.

**Section 2.2 Sales Commission.** In consideration of the efforts and costs incurred by Buyer to market and sell the Offtake Products to end users, the Parties agree that a sales commission (the “**Commission Fee**”), as per the formula detailed in Schedule 2, shall be due to Buyer in relation to such Month pursuant to this Section 2.2. The Commission Fee shall cover all of Buyer’s Covered Costs but shall not cover any Extraordinary Charges paid by Buyer, if any. Buyer shall use all good faith efforts to mitigate and minimize such Extraordinary Charges prior to their incurrance. All reasonable, documented and agreed Extraordinary Charges paid by Buyer, after exhausting good faith efforts to mitigate and minimize the same, shall be reimbursable by Seller.

**Section 2.3 Offtake Products.** Subject to variations in mine output and the output of the Mountain Pass Facility, the Offtake Products shall include the rare earth products set forth on Schedule 1.

## **ARTICLE 3 CONDITION PRECEDENT; TERM OF AGREEMENT**

### **Section 3.1 Condition Precedent; Term of Agreement.**

(a) This Agreement shall come into full force and effect on the Expiration Date as defined in the A&R Offtake Agreement (such date, the “**Effective Date**”). To the extent that there are any monies owed between the Parties under the A&R Offtake Agreement as of the Effective Date, each Party shall remit such monies owed to the other Party at or promptly following the Effective Date, including the remittance to Seller of any overpayment as a result of Buyer’s receipt a refund of any tariff. Until the Effective Date, this Agreement shall have no force or effect.

(b) Unless this Agreement is terminated earlier in accordance with the provisions of Section 12.2, the term of this Agreement shall commence on the Effective Date and shall continue in full force and effect for two years following the Effective Date (the “**Initial Term**”); provided that Seller shall have the option in its discretion to extend the term for an additional one year period following the Initial Term (the “**Extended Term**”). The Initial Term and the Extended Term are referred to individually and collectively, as the “**Term**.”

(c) For certainty, any outstanding obligations or liabilities arising during the Term, including for the payment of any Monthly Offtake Quantities or Offtake Shortfall, shall expressly survive any expiration or termination of this Agreement.

#### **ARTICLE 4 OFFTAKE OBLIGATIONS AND PROCEDURES**

**Section 4.1 Basic Obligation.** Subject to and in accordance with the terms and conditions of this Agreement, during the Term of this Agreement, Seller shall sell and deliver to Buyer, and Buyer shall be obligated to pay for and take delivery of, on a firm take or pay basis, the Offtake Products in the quantities determined in accordance with Section 4.2 and Section 4.4. Buyer shall be obligated to pay for all such quantities of Offtake Products determined in accordance with Section 4.2 and Section 4.4, whether or not Buyer is able to take, or actually takes, delivery of such Offtake Products.

#### **Section 4.2 Offtake Product Quantities.**

(a) For each Month during the Term, Buyer shall be obligated to pay for and take delivery of, one hundred percent (100%) of the Offtake Products made available by Seller to Buyer during such Month.

(b) Rare Earth Concentrate Sales. Except as otherwise provided herein, the Parties agree as follows:

- (i) Buyer shall be the sole offtaker in China of the rare earth concentrate produced by Seller;
- (ii) Seller shall have the right to sell up to [\*\*\*] of rare earth concentrate (wet dirt basis) produced by Seller to customers in countries outside of China even if such sales involve processing of rare earth concentrate in China;
- (iii) Seller shall have the right to sell rare earth concentrate produced by Seller directly to customers in countries outside of China for processing outside of China. Seller shall use good faith, commercially reasonable efforts to ensure that such sales are not directly processed into rare earth carbonate, chloride, or oxide in China; and
- (iv) In the event that planned sales of rare earth concentrate under Section 4.2(b)(ii) and (iii) are expected to exceed [\*\*\*] in any Month, Seller shall, at least two Months in advance of such sales, engage with Buyer in good faith discussions regarding such planned sales.

(c) Non-Concentrate Offtake Product Sales. Except as otherwise provided herein:

- (i) Seller agrees to sell to Buyer and Buyer agrees to purchase from Seller on a take-or-pay basis all non-concentrate Offtake Products that Seller in its sole discretion nominates to Buyer for distribution. During the Term, Seller agrees that Buyer shall be its exclusive distributor for Chinese end users of non-concentrate Offtake Products in China. Buyer is also authorized to distribute so nominated Offtake Products to customers in any jurisdiction unless specifically excluded under Section 14.11 of this Agreement or under any law, rule, or regulation of the United States of America.
- (ii) Seller may sell all non-concentrate Offtake Products in its sole discretion to customers or end users in any jurisdiction and may engage with Japanese trading companies for direct sales to Japanese end users.

#### **Section 4.3 Annual Planning.**

(a) At least three (3) Months prior to the start of each Contract Year, Seller shall deliver to Buyer a written notice (an “**Annual Production Forecast**”) providing a non-binding forecast of the Production Quantities of each of the Offtake Products of the Facility expected to be made available for sale and delivery during each Contract Quarter of the following Contract Year.

#### **Section 4.4 Nomination and Notice Procedures.**

(a) At least forty-five (45) days prior to the start of each Contract Quarter, Seller shall deliver to Buyer a written notice (a “**Quarterly Production Notice**”) providing a non-binding forecast of the total Production Quantities of the Facility expected to be made available for sale and delivery during each Month of such Contract Quarter.

(b) At least thirty (30) days prior to the start of each Month, Seller shall deliver to Buyer a written notice (a “**Monthly Production Notice**”) specifying the total Production Quantities of the Facility and the anticipated specifications of the same made available for sale and delivery during such Month. Following delivery of the Monthly Production Notice, Seller shall promptly upon becoming aware notify Buyer in writing of any material adjustments to the estimates of the types and respective quantities of Offtake Products expected to be delivered to Buyer based on Seller’s actual production, in order to facilitate Buyer’s marketing efforts and planning.

(c) At least fifteen (15) days prior to the start of each Month, Buyer shall deliver to Seller a written notice (a “**Monthly Offtake Notice**”) that confirms the types, specifications and respective quantities of Offtake Products that Buyer shall take delivery

of during such Month (the “**Monthly Offtake Quantities**”), provided that the Monthly Offtake Quantities shall cover (i.e., shall equal) one hundred percent (100%) of the Offtake Products made available for delivery to Buyer during such Month pursuant to the Monthly Production Notice.

(d) Each such Monthly Offtake Notice shall constitute a firm obligation on the part of Buyer to take delivery of and pay for, the Monthly Offtake Quantities, provided that such Monthly Offtake Quantities shall be commensurately adjusted based on adjustments to actual Production Quantities of the Facility as set forth in an updated Monthly Production Notice. In the event Buyer fails to deliver a timely Monthly Offtake Notice, the quantities set forth in Seller’s latest updated Monthly Production Notice shall constitute the “Monthly Offtake Quantities” for all purposes hereunder, including this Section 4.4(d) and Section 4.8, as if Buyer had duly delivered the Monthly Offtake Notice.

**Section 4.5 Scheduling of Deliveries.** Unless the Parties mutually agree otherwise, the Monthly Offtake Quantities for each Month shall be scheduled to ship from the Facility for delivery to Buyer as expeditiously as possible. Upon request by Buyer, Seller shall deliver to Buyer a forecast of the portion of the Monthly Offtake Quantities anticipated to be shipped from the Facility during the following week (a “**Weekly Shipping Forecast**”). Each Weekly Shipping Forecast will include the relevant sales order number, the types, specifications and respective quantities of Monthly Offtake Quantities, the relevant product codes, the Delivery Point, and such other information as the Parties mutually agree.

#### **Section 4.6 Delivery; Customs.**

(a) Seller shall deliver the Monthly Offtake Quantities to Buyer at the Delivery Point. The delivery of Monthly Offtake Quantities comprised of (i) light rare earth concentrate shall, unless the Parties mutually agree otherwise, be on cost, insurance and freight (CIF) basis to the Delivery Point, and (ii) any other Offtake Products will be on delivery terms to be mutually agreed between the Parties from time to time.

(b) Seller shall be responsible for preparing all customs documentation required by any U.S. Governmental Authority to clear any Monthly Offtake Quantities for export from the United States. Buyer shall take all reasonable actions to facilitate and support Seller in procuring customs clearance of Monthly Offtake Quantities for export from the United States.

(c) Buyer shall be responsible for all customs documentation, tariffs and Taxes required by any Governmental Authority to clear any Monthly Offtake Quantities for import at or from the Delivery Point.

**Section 4.7 Title and Risk.** Title to and risk of loss of Monthly Offtake Quantities comprised of (i) light rare earth concentrate delivered on a CIF basis pursuant to Section 4.6(a) shall, in accordance with Incoterms, pass to Buyer at the point such Monthly Offtake Quantities are delivered to the port of loading, and (ii) any other Offtake Products shall pass to Buyer in accordance with the delivery terms mutually agreed between the Parties pursuant to Section 4.6(a). Buyer shall be responsible for all Covered Costs (but not Extraordinary Charges) after

title to and risk of loss of the Monthly Offtake Quantities has passed to Buyer. Seller shall indemnify, defend and hold harmless Buyer from any and all third-party claims arising with respect to the Monthly Offtake Quantities or any loss thereof prior to the point that title and risk of loss has passed to Buyer. Buyer shall indemnify, defend, and hold harmless Seller from any and all third-party claims arising with respect to the Monthly Offtake Quantities or any loss thereof after the point that title and risk of loss has passed to Buyer. In the event of a discrepancy between the amounts delivered to the port of loading, the SWB and/or Invoice, and actual quantities delivered to the port of destination, Seller shall use all reasonable, good faith effort to assist Buyer in resolving such discrepancy.

#### **Section 4.8 Offtake Shortfall.**

(a) For any Month during the Term of this Agreement, if the quantity of Offtake Products taken by Buyer during such Month is less than the Monthly Offtake Quantities in effect for such Month, then the difference shall be considered an “**Offtake Shortfall**”. Notwithstanding the occurrence of an Offtake Shortfall, Buyer shall be obligated to pay and deliver to Seller the Purchase Price for the full amount of the Monthly Offtake Quantities in effect for such Month as reflected in the Monthly Offtake Notice or latest updated Monthly Production Notice, as applicable, including for the amounts constituting the Offtake Shortfall, provided that such Monthly Offtake Quantities cannot be greater than Seller’s actual production. For certainty, Buyer will not be paying for Monthly Offtake Quantities unless they are actually made available to Buyer.

(b) Provided Buyer has satisfied its obligation to pay the Purchase Price in respect of an Offtake Shortfall, Buyer shall be entitled take delivery of such Offtake Shortfall. Buyer shall be responsible for all costs arising from or relating to its failure or delay in taking delivery of any such Offtake Shortfall.

**Section 4.9 No Excused Performance.** In the event Buyer fails to provide any notice that Buyer is required to deliver pursuant to Section 4.4, or otherwise fails to provide any other notice or take any other action necessary to give effect to the purposes of Section 4.4, Buyer shall nevertheless be obligated to pay such amount that covers payment for the total quantities of Offtake Products required to be paid for by Buyer in accordance with Section 4.4 and Section 4.8, regardless of whether or not Buyer ever intends to take or actually takes delivery of such Offtake Products.

### **ARTICLE 5 PURCHASE PRICE AND PAYMENT**

**Section 5.1 Purchase Price.** The actual purchase price (the “**Purchase Price**”) to be paid for Monthly Offtake Quantities shall be equal to the Market Price for such product less (a) any applicable value-added (VAT), sales, or ad valorem taxes owed on the Offtake Product for which the Buyer is responsible; (b) any import duties assessed and actually paid by Buyer for the Offtake Products; and (c) the Commission Fee.

## **Section 5.2 Payments and Invoices.**

(a) After a complete sales order has been delivered by Seller to the port of loading, Seller may issue a preliminary invoice to Buyer. After any shipment of Monthly Offtake Quantities has been loaded onto the vessel of the carrier selected by Seller at the port of departure, such carrier will issue to Seller a seaway bill (such bill or similar documentation, an “**SWB**”) listing the actual quantities (by containers and weights) loaded onto such vessel.

(b) Upon receipt of an SWB, Seller shall deliver to Buyer a copy of the SWB along with a calculation of the total payment due for the shipment based on the actual quantities of Monthly Offtake Quantities shipped and the agreed Purchase Price for such products. Within [\*\*\*] after Buyer’s receipt of the foregoing, Buyer shall pay the total amount due for the shipment of Monthly Offtake Quantities, based on the calculation of the payment due so delivered by Seller. Seller shall not change the information of consignee in the SWB without written confirmation from Buyer.

(c) Seller shall subsequently deliver to Buyer a final invoice that sets forth the actual products and quantities shipped in the particular shipment, the Purchase Price paid (or to be paid if not already paid for any reason) by Buyer for such quantities, the relevant sales order number, the relevant product codes, the Delivery Point, any adjustments (if necessary) to account for any variations between the payment already made by Buyer and the total payment due under such invoice, and such other information as the Parties mutually agree.

(d) Upon request, Seller shall provide information regarding the calculation of the Market Price as determined pursuant to the definition of Market Price under this Agreement.

**Section 5.3 Currency and Manner of Payments.** Unless mutually agreed otherwise, all payments due under this Agreement shall be made in United States Dollars by wire transfer of immediately available funds to a bank account designated in writing by the Party entitled to receive payment.

## **Section 5.4 Payment or Invoice Disputes.**

(a) In the event either Party, acting reasonably and in good faith, disputes any invoice or payment to be made hereunder pursuant to Section 5.2, it shall immediately provide the other Party with a written explanation setting forth the reasons for such dispute. An invoice, payment or related calculation may be disputed only if written notice of such dispute is delivered to the other Party within thirty (30) days after either the date of receipt of such invoice, documentation, payment calculation or notice giving rise to the dispute, after which time such invoice, documentation, calculation or notice shall be deemed correct and accepted by both Parties.

(b) No later than thirty (30) days after the date on which any Dispute is resolved, the amount of any overpayment or underpayment shall be payable by Seller or Buyer, as the case may be, to the other Party, provided that the amount owed in respect of

any such overpayment may be credited to the next payment due from Buyer under Section 5.2, and shall be reflected in the corresponding invoice(s) for the shipment(s) covered by such next payment.

(c) If the Parties are unable to resolve any payment or invoice Dispute, then either Party shall be entitled to refer such Dispute for resolution pursuant to Section 13.2.

## **ARTICLE 6 MARKETING CONSIDERATIONS AND REQUIREMENTS**

**Section 6.1 Certain Restrictions and Considerations.** Buyer hereby agrees that all of its own marketing and sales of Offtake Products to third parties shall be based solely on commercial considerations, subject to the requirements that: (i) priority shall be given to customers in the U.S. and European markets and such other geographical markets as Seller may specify from time to time, provided that the commercial terms for such sales must be reasonably comparable to the commercial terms on which the same Offtake Products can be expected to be sold to a customer located outside such markets, taking into account, among other things, the price, quantity, and availability of supply; and (ii) such sales are in compliance with U.S. legal requirements and U.S. national security policies or guidelines.

**Section 6.2 Limited Geographical Restrictions.** Buyer shall be permitted to promote, market, sell and distribute all of the Offtake Products anywhere in the world, except as provided in Section 14.11(c) or Section 14.11(d).

## **ARTICLE 7 REPRESENTATIONS AND WARRANTIES**

**Section 7.1 Representations and Warranties of Buyer and Seller.** Each of Buyer and Seller represents and warrants to the other Party that, as of the date hereof:

(a) it is a company duly organized and validly existing under the law of its jurisdiction of organization, and has all requisite company power, capacity and authority to own its assets and to conduct its business as currently conducted and to perform its obligations under this Agreement;

(b) all requisite company action to authorize the execution, delivery and performance by such Party of this Agreement has been taken;

(c) the execution, delivery and performance by such Party of this do not and will not (i) conflict with any provision of its constitutive or organizational documents, and (ii) contravene or violate any Law applicable to such Party;

(d) this Agreement has been duly and validly executed and delivered by such Party and constitutes the legal, valid, and binding obligation of such Party, enforceable against it in accordance with the terms hereof, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally; and

(e) there is no pending or, to the knowledge of such Party, threatened action, suit or proceeding affecting such Party before any court, Governmental Authority or arbitrator that could reasonably be expected to adversely affect its ability to perform its obligations under this Agreement or affect the legality, validity, and enforceability of this Agreement.

**Section 7.2 Additional Representations and Warranties of Seller.** Seller further represents and warrants that, at the time of delivery of any Offtake Products to Buyer, Seller shall have good and marketable title to such Offtake Products so delivered, and that such Offtake Products shall be delivered to Buyer free and clear of all encumbrances.

**Section 7.3 Disclaimer of Additional Warranties.** Except as set forth in Section 14.11 and this Article 7, neither Party makes, and each Party hereby disclaims, any other warranty whatsoever, whether express or implied, including any implied warranty of merchantability or fitness for a particular purpose.

## **ARTICLE 8 TAXES**

**Section 8.1 Taxes.** Each Party shall be responsible for the payment of all applicable Taxes in connection with its performance under this Agreement as required by Law.

**Section 8.2 Tax Refunds.** Buyer shall use commercially reasonable efforts to seek a refund of any Taxes that reduce the Purchase Price as provided in Section 5.1. If Buyer (i) receives a refund of any such Taxes, and (ii) has received an additional payment or amount from Seller pursuant to Section 5.1 in respect of such Taxes, Buyer shall promptly remit to Seller an amount equal to such refund (up to an amount equal to any such Taxes that reduce the Purchase Price as provided in Section 5.1), together with any interest paid to Buyer, net of any reasonable expenses associated with the obtaining of such refund, taxes owed by Seller on such refund, and incremental Commission Fee on such net refund. The foregoing obligation of Buyer to remit to Seller such refunds of any such Taxes or an additional payment or amount from Seller pursuant to Section 5.1 in respect of such Taxes shall apply regardless when received and whether it occurred under the A&R Offtake Agreement or on or after the Effective Date.

**Section 8.3 Tax Returns.** Each of Seller and Buyer shall file, at its own expense, all returns and other documentation required by applicable Law to be filed by it in connection with any Taxes in respect of which it has paid additional amounts pursuant to Section 8.1.

## **ARTICLE 9 FORCE MAJEURE**

**Section 9.1 Force Majeure.** Subject to Section 9.2, “**Force Majeure**” means any event or circumstance that (x) is beyond the reasonable control of the Party claiming Force Majeure, (y) could not have been avoided by such Party if it had acted with reasonable foresight and in a reasonable and prudent manner, and (z) renders such Party unable to perform its obligations under this Agreement (except in relation to any inability to satisfy obligations to make payments due under this Agreement for any reason other than the events and circumstances set forth in clause (d) below), whether in whole or in part. Without limiting the generality of the

foregoing, “Force Majeure” shall include, in the case of Seller, each of the events and circumstances set forth in the following clauses (a) – (i), and, in the case of Buyer, each of the events and circumstances set forth in the following clauses (a) – (d):

- (a) fire, explosion, flood, atmospheric disturbance, lightning, storm, typhoon, hurricane, tidal wave, tornado, earthquake, landslide, soil erosion, subsidence, washout or epidemic or other natural disaster;
- (b) acts of war (whether declared or undeclared), terrorism or threat thereof, riot, civil war, blockade, insurrection, sabotage, act of public enemies, civil disturbance, strike, lockout or other industrial disturbance;
- (c) acts of Governmental Authorities or any Law, or taking or confiscation (whether or not action under law) of any facilities which directly affect a Party’s ability to perform its obligations under this Agreement;
- (d) shutdown of banking operations or other crisis affecting the banking industry, in either case that makes payment impossible for a continuous period of at least five (5) days;
- (e) accidental damage to or shutdown of the Mountain Pass Facility that cannot be prevented through reasonable efforts;
- (f) radioactive contamination or ionizing radiation affecting the Mountain Pass Facility that results in a production halt as required by Government Authorities, applicable Law or prudent industry standards;
- (g) any interruption of or failure of supplies; shortage of or unavailability of, or inability of Seller to obtain, any materials, labor, utilities and/or energy required to operate the Mountain Pass Facility;
- (h) any shortage or unavailability of, or inability to obtain equipment, machinery, or spare parts for the Mountain Pass Facility; and
- (i) as a direct or indirect consequence of failure or anticipated or threatened failure of machinery, equipment or other facilities associated with the Mountain Pass Facility.

**Section 9.2 Exclusions.** Notwithstanding Section 9.1, Force Majeure shall not include any of the following or any event arising out of any of the following:

- (a) market decline;
- (b) market failure;
- (c) inability to economically produce or sell the Offtake Products;
- (d) industry economic conditions or general economic conditions;

- (e) financial hardship or any inability to pay;
- (f) failure to pay money when due for any reason other than the events and circumstances set forth in Section 9.1(d); or
- (g) breakdown or failure of plant or equipment caused by normal wear and tear or by a failure to properly maintain such plant or equipment.

**Section 9.3 No Claim for Breach.** Except with respect to any failure to satisfy obligations to make payments due under this Agreement for any reason other than the events and circumstances set forth in Section 9.1(d), no failure by a Party to perform any of its other obligations under this Agreement shall give rise to any claim against such Party or be deemed a breach by such Party of this Agreement to the extent that such failure arises from an event of Force Majeure.

**Section 9.4 Notice.** In the event that a Party is rendered unable to perform its obligations hereunder, whether in whole or in part, by a Force Majeure event, such Party shall, as soon as reasonably practicable, notify the other Party in writing stating the nature of such Force Majeure event, the date on which it commenced and its expected duration (including the extent of any suspended performance).

**Section 9.5 Resumption.** The Party affected by Force Majeure shall use commercially reasonable efforts to resume performance of its obligations that are affected by the event of Force Majeure as soon as practicable and will continue performing all of its obligations that are not affected by the event of Force Majeure.

## **ARTICLE 10 DEFAULTS AND REMEDIES**

**Section 10.1 Events of Default.** The occurrence of any of the following events or circumstances shall constitute an event of default under this Agreement (each, an “**Event of Default**”):

- (a) Any failure to timely pay and deliver any payment due under this Agreement and such failure is not cured within thirty (30) days of receipt of notice from non-defaulting Party notifying the defaulting Party of such failure;
- (b) Any failure by Buyer to provide complete and accurate copies of customer invoices and/or other records in accordance with Section 5.2(d) and such failure is not cured within thirty (30) days of receipt of notice from Seller notifying Buyer of such failure;
- (c) Any breach by Buyer of its obligations under Article 6;
- (d) An Insolvency Event with respect to Buyer;
- (e) An Insolvency Event with respect to Seller (other than such an Insolvency Event resulting from Buyer’s failure to make payments due under this Agreement);

(f) Any breach by a Party of its representations and warranties contained in this Agreement; and

(g) Any other material breach by a Party of its other covenants and obligations set forth herein and such breach is not cured within thirty (30) days of receipt of notice from the non-defaulting Party notifying the defaulting Party of such breach (or such longer period of time as the non-defaulting Party may permit in writing if cure has been commenced and additional time is reasonably required).

**Section 10.2 Remedies.** If an Event of Default occurs and is continuing, in addition to remedies expressly provided for in this Agreement, including the right to terminate the Agreement in accordance with the provisions of Section 12.2, the non-defaulting Party shall be entitled to pursue any or all other remedies available to it at law or in equity, including claims for damages, specific performance and/or injunctive relief.

## **ARTICLE 11 INDEMNITY AND LIMITATIONS ON LIABILITY**

### **Section 11.1 Indemnity.**

(a) Each Party agrees to indemnify, defend, and hold harmless the other Party, its Affiliates and its and their respective directors, officers, employees, agents, and representatives from and against any and all Losses suffered or incurred by any of the foregoing Persons resulting or arising from:

- (i) any inaccuracy in or breach of any representation or warranty of such Party contained in this Agreement;
- (ii) any breach by such Party of any covenant or obligation to be performed by it pursuant to this Agreement; and
- (iii) any fraudulent or grossly negligent act or omission, or the willful misconduct of such Party, its Affiliates or its and their respective directors, officers, employees, agents, and representatives in the performance of this Agreement.

(b) A Party's obligation to indemnify the other Party with respect to any third party claim, action or proceeding shall be conditioned upon the indemnified Party: (i) providing the indemnifying Party with prompt written notice of such claim, action or proceeding (provided that the failure to timely notify shall not terminate the indemnification obligation unless the indemnifying Party is prejudiced by such failure), (ii) permitting the indemnifying Party to assume and solely control the defense of such claim, action or proceeding and all related settlement negotiations, with counsel chosen by the indemnifying Party, and (iii) cooperating at the indemnifying Party's request and expense with the defense or settlement of such claim, action or proceeding which cooperation shall include providing reasonable assistance and information. No indemnified Party shall enter into any settlement agreement for which it will seek indemnification under this Agreement from the indemnifying Party without the prior

written consent of the indemnifying Party. Nothing herein shall restrict the right of a Party to participate in a claim, action or proceeding through its own counsel and at its own expense.

**Section 11.2 Limitation on Liability.** Notwithstanding anything herein to the contrary, each Party's liability for Losses under this Agreement shall not exceed the Purchase Price for the Offtake Products from which such Losses arise, except with respect to any Losses arising out of (a) such Party's fraud, gross negligence, wilful misconduct, violations of applicable Law or a Party's indemnification obligations under Section 11.1 or (b) a breach by such Party of Article 6 or Section 14.11. For certainty, the foregoing shall not affect or limit either Party's obligations to make payments due under this Agreement.

**Section 11.3 No Consequential Damages.** Except for fraud, gross negligence, wilful misconduct, violations of applicable Law, indemnification obligations under Section 11.1 and as expressly provided otherwise in this Agreement, in no event shall either Party be liable to the other Party for any lost profits or incidental, indirect, speculative, consequential, special, punitive or exemplary damages of any kind arising out of or in connection with this Agreement, even if advised of such potential damages.

## ARTICLE 12 TERMINATION AND SURVIVAL

**Section 12.1 Automatic Termination.** This Agreement shall automatically terminate upon the expiration of the term of this Agreement, without the need for any action by either Party.

**Section 12.2 Optional Termination.**

- (a) This Agreement may be terminated at the option of the Parties upon their mutual written agreement.
- (b) Seller may terminate this Agreement, in its discretion, upon the occurrence of a Buyer Change of Control.
- (c) If an Event of Default occurs and is continuing, the non-defaulting Party may terminate this Agreement upon written notice to the defaulting Party. For the avoidance of doubt, the Parties agree that this Agreement may not be terminated pursuant to this Section 12.2(c) as a consequence of a non-material breach.

**Section 12.4 Survival.** The rights and obligations of the Parties set forth in Section 3.1(c) (*Pre-Termination Obligations*), Article 8 (*Taxes*), Article 10 (*Defaults and Remedies*), Article 11 (*Indemnity and Limitations on Liability*), Article 12 (*Termination and Survival*), Article 13 (*Governing Law and Resolution of Disputes*), Article 14 (*Miscellaneous*) and any other provision which by its nature should survive termination of this Agreement, and any obligation or liability incurred prior to termination of this Agreement (including for amounts due and payable at the time of termination), shall survive any termination of this Agreement and continue in full force and effect.

**ARTICLE 13**  
**GOVERNING LAW AND RESOLUTION OF DISPUTES**

**Section 13.1 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York the without regard to any principles of conflicts of law that would require the application of the laws of any other jurisdiction.

**Section 13.2 Resolution of Disputes.**

(a) Any Dispute arising out of or in connection with this Agreement or its performance shall to the extent possible be settled amicably by negotiation and discussion between senior representatives of the Parties.

(b) Any such Dispute not settled in accordance with Section 13.2(a) within sixty (60) days of receipt by a Party of notice of a Dispute shall be finally and exclusively resolved by arbitration administered by the International Court of Arbitration of the International Chamber of Commerce in accordance with the Rules of Arbitration of the International Chamber of Commerce. The tribunal shall consist of three (3) arbitrators. One arbitrator shall be appointed by Seller, one arbitrator shall be appointed by Buyer, and the third arbitrator shall be appointed by the other two arbitrators. The seat of the arbitration shall be London, England and the language of the arbitration shall be English. The arbitration award shall be final and binding on the Parties and shall include an allocation of the costs.

(c) Notwithstanding the foregoing agreement to arbitrate, either Party shall have the right to seek equitable or injunctive relief, including specific performance, in any court of competent jurisdiction.

**ARTICLE 14**  
**MISCELLANEOUS**

**Section 14.1 Notices.**

(a) Unless provided otherwise in this Agreement, any notice or other communication required or permitted to be given under this Agreement shall be in writing and, subject to Section 14.1(b), shall be deemed to have been properly given or delivered when delivered personally to the Party to whom directed, or upon receipt of confirmation of delivery when delivered by facsimile transmission, email or an internationally recognized overnight courier service to the Party to whom directed, and addressed to the Party to whom directed at the following address:

(i) **Seller:**

MP Mine Operations LLC  
67750 Bailey Road, HC1 Box 224  
Mountain Pass, CA 92366  
Attention: Chief Operating Officer

With copies to:

MP Mine Operations LLC  
6720 Via Austi Parkway  
Suite 450  
Las Vegas, NV 89119  
Attention: General Counsel

(ii) **Buyer:**

Shenghe Resources (Singapore) International Trading Pte. Ltd.  
21-106, 18 Shanhudonglu  
Nanjing, China  
Attention: Chairman

(b) In the event any notice or other communication given in accordance with this Section 14.1 is delivered after 5:00 pm local time at the place of delivery, such notice or other communication shall be deemed to have been delivered on the next Business Day. Either Party may change its address by giving fifteen (15) days prior written notice of its new address to the other Party.

**Section 14.2 Further Assurances.** Each Party shall execute all such further instruments and documents and do all such further actions as may be necessary or appropriate to effectuate the provisions of this Agreement and the transactions contemplated hereby.

**Section 14.3 No Partnership.** Nothing herein shall be construed to create, expressly or by implication, a joint venture, mining partnership, commercial partnership, agency relationship, fiduciary relationship, or other partnership relationship between Seller and Buyer.

**Section 14.4 Public Disclosure.** Each Party agrees that it shall not make any disclosure of the existence or terms of this Agreement or the transactions contemplated hereby without obtaining the approval of the other Party as to the contents of such disclosure, except to the extent that any such disclosure shall be required by applicable Law (including securities laws and/or rules of the New York Stock Exchange) or Governmental Authority in which case the Party required to make such disclosure shall use reasonable efforts to give the other Party reasonable prior notice thereof (including the contents of such disclosure) and obtain confidential treatment of such disclosure from the relevant Governmental Authority. Notwithstanding the foregoing, the Parties acknowledge and agree that the Offtake Agreement (including pre-execution drafts of the same) and the transactions contemplated thereby and hereby may be (and may have been) disclosed to the Committee on Foreign Investment in the United States.

**Section 14.5 Entire Agreement.** This Agreement (including any Schedules or Exhibits hereto) constitutes the entire agreement between the Parties with regard to the subject matter hereof and cancel and supersede any prior understandings and agreements, either oral or written, between the Parties with respect to the subject matter hereof.

**Section 14.6 Assignment.** This Agreement may be assigned by either Party to an Affiliate of such Party, provided that (i) unless released by the other Party, the assigning Party shall remain fully liable for all of its obligations hereunder, and (ii) the assignee shall assume in writing all of the obligations of the assigning Party hereunder. Except as provided in the immediately preceding sentence, neither Party may assign or transfer all or any part of its rights or obligations under this Agreement without the prior written consent of the other Party.

**Section 14.7 Amendments.** This Agreement may not be amended, modified, or supplemented in any manner, except pursuant to a written instrument signed on behalf of each of the Parties.

**Section 14.8 Severability.** If any provision of this Agreement is determined by an arbitral tribunal or court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect. The Parties agree that they will negotiate in good faith to replace any provision hereof so held invalid, illegal, or unenforceable with a valid provision which is as similar as possible in substance to the invalid, illegal or unenforceable provision.

**Section 14.9 Beneficiaries; Successors and Assigns.** This Agreement is for the sole benefit of the Parties and shall inure to the benefit of and be binding upon their respective successors and permitted assigns. Except as expressly contemplated herein, nothing herein is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature or kind whatsoever under or by reason of this Agreement.

**Section 14.10 Waivers.** Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

**Section 14.11 Compliance.** In connection with this Agreement and the transactions contemplated hereby:

(a) Each Party represents and warrants that it has complied with, and covenants that it shall continue to comply with, all applicable Laws, including those pertaining to legitimate and ethical business practices in its commercial operations and dealings with government entities and officials (including, specifically, the United States Foreign Corrupt Practices Act of 1977); and

(b) Each Party shall not directly or indirectly offer, pay, promise to pay or authorize the payment of any cash or other item of value to (i) any official, employee or representative of any government or of any public international organization, any officer

or employee of a government-owned or controlled enterprise, any candidate for political office, or any political party or political party official, in order to influence any act or decision, or induce such official, employee, representative, officer or other Person to exercise influence or otherwise secure any improper advantage; or (ii) any other Person in any manner that would constitute commercial bribery or kickback or otherwise violate any anti-corruption or anti-bribery laws applicable to either Party.

(c) Each Party will not, directly or indirectly, sell, supply, or permit the sale or supply, of Offtake Products to any Sanctioned or Designated Person.

(d) Each Party represents and warrants that it has not undertaken, and covenants that will not undertake, in any event, any transaction of any type (including with respect to any payment hereunder including any Prepayment Amount) involving a Sanctioned or Designated Person, or that would otherwise cause Buyer or Seller to be in violation of any applicable law.

**Section 14.2 Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute the same document and the signature pages from any counterpart may be appended to any other counterpart to assemble fully executed counterparts. Counterparts of this Agreement may also be exchanged via electronic means and the electronic or facsimile signature of any Party's signature shall be deemed to be an original signature for all purposes.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized officers as of the date first written above.

**MP MINE OPERATIONS LLC**

By: /s/ Ryan Corbett  
Name: Ryan Corbett  
Title: Chief Financial Officer

**SHENGHE RESOURCES (SINGAPORE)  
INTERNATIONAL TRADING PTE. LTD.**

By: /s/ Shasha Lu  
Name: Shasha Lu  
Title: Director

## CERTIFICATION

I, James H. Litinsky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MP Materials Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2022

/s/ James H. Litinsky

James H. Litinsky

*Chairman and Chief Executive Officer*

## CERTIFICATION

I, Ryan Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MP Materials Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2022

/s/ Ryan Corbett  
\_\_\_\_\_  
Ryan Corbett  
*Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,  
18 U.S.C. SECTION 1350**

In connection with the quarterly report of MP Materials Corp. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, James H. Litinsky, Chairman and Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

/s/ James H. Litinsky

James H. Litinsky

*Chairman and Chief Executive Officer*

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002,  
18 U.S.C. SECTION 1350**

In connection with the quarterly report of MP Materials Corp. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan Corbett, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2022

/s/ Ryan Corbett

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Ryan Corbett

*Chief Financial Officer*

**MINE SAFETY DISCLOSURE**

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the Mine Safety and Health Administration (the “MSHA”), as well as related assessments and legal actions, and mining-related fatalities.

The table below provides information for the three months ended March 31, 2022, at the Mountain Pass mine in San Bernardino County, California.

Additional information about the Mine Act and MSHA references used in the table follows:

- *Section 104(a) Significant and Substantial (“S&S”) Citations:* Citations received from MSHA under §104(a) of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.
- *Section 104(b) Orders:* Orders issued by MSHA under §104(b) of the Mine Act, which represent a failure to abate a citation under §104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
- *Section 104(d) S&S Citations and Orders:* Citations and orders issued by MSHA under §104(d) of the Mine Act for unwarrantable failure to comply with mandatory, significant and substantial health or safety standards.
- *Section 110(b)(2) Violations:* Flagrant violations issued by MSHA under §110(b)(2) of the Mine Act.
- *Section 107(a) Orders:* Orders issued by MSHA under §107(a) of the Mine Act for situations in which MSHA determined an “imminent danger” (as defined by MSHA) existed.

Mine	Mine Act §104(a) S&S Citations	Mine Act §104(b) Orders	Mine Act §104(d) S&S Citations and Orders	Mine Act §110(b)(2) Violations	Mine Act §107(a) Orders	Proposed MSHA Assessments (in whole dollars)	Mining Related Fatalities	Mine Act §104(e) Notice (Yes/No) <sup>(1)</sup>	Pending Legal Actions before Federal Mine Safety and Health Review Commission (Yes/No)
Mountain Pass	1	0	0	0	0	\$600	0	No	No

(1) A written notice from the MSHA regarding a pattern of violations, or a potential to have such pattern under §104(e) of the Mine Act.