MP MATERIALS

# Gabelli Funds 45th Annual Auto Symposium

Ryan Corbett – Chief Financial Officer

November 1, 2021

# Safe Harbor

This presentation contains certain statements that are not historical facts and are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of the words such as "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "will," "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, regarding the expected timing of completion of Stage II, expectations and timing of Stage III developments, including the location for Stage III, and projections of market opportunity.

These statements are based on various assumptions, whether or not identified in this presentation, and on the current expectations of MP Materials Corp.'s ("MP Materials" or "MP") management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only 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 the control of MP Materials. These forward-looking statements are subject to a number of risks and uncertainties, including changes in domestic and foreign business, market, financial, political and legal conditions; failure to realize the anticipated benefits of the business combination; risks relating to the uncertainty of the projected financial information with respect to MP Materials; risks related to the rollout of MP Materials' business strategy, including Stage II and Stage III, and the timing of expected business milestones; risks related to the construction of Stage II, including timing for completion and costs; risks related to MP Materials' arrangements with Shenghe; the effects of competition on MP Materials' future business; risks related to political and macroeconomic uncertainty; the impact of the global COVID-19 pandemic, including the Delta variant and other variants, on any of the foregoing risks; risks related to MP's ability to comply with various government regulations that are applicable to its business; risks relate to MP's ability to maintain its governmental licenses, registrations, permits, and approvals necessary for its business; and those factors discussed in MP Materials' Annual Report on Form 10-K for the year ended December 31, 2020, and MP Materials' Quarterly Report on Form 10-Q for the quarterly periods ended March 31, 2021 and June 30, 2021, under the heading "Risk Factors," and other documents to be filed by MP Materials, with the U.S. Securities and Exchange Commission.

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. There may be additional risks that MP Materials does not presently know or that MP Materials currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect MP Materials' expectations, plans or forecasts of future events and views as of the date of this presentation. MP Materials anticipates that subsequent events and developments will cause MP Materials' assessments to change. However, while MP Materials may elect to update these forward-looking statements at some point in the future, MP Materials specifically disclaims any obligation to do so, unless required by applicable law. These forward-looking statements should not be relied upon as representing MP Materials' assessments as of any date subsequent to the date of this presentation. Accordingly, undue reliance should not be placed upon the forward-looking statements.

# Use of Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures, such as Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Total Value Realized, Production Costs, Free Cash Flow, Normalized Stage I Free Cash Flow, and Adjusted Operating Cash Flow, which have not been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

We define Adjusted EBITDA as our GAAP net income or loss 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 and other non-recurring costs; non-cash accretion of asset retirement and environmental obligations; gain or loss on sale or disposal of long-lived assets; write-down of inventories; royalty expense to SNR; tariff rebates; and other income or loss, net. We define Adjusted EBITDA Margin as our Adjusted EBITDA divided by our product sales adjusted for the revenue impact of tariff-related rebates from Shenghe on account of prior sales. Adjusted Net Income is defined as our GAAP net income or loss excluding the impact of depletion; stock-based compensation expense; transaction-related and other non-recurring costs; gain or loss on sale or disposal of long-lived assets; write-downs of inventories; royalty expense to SNR; tariff rebates; and other income or loss, net; adjusted to give effect to the income tax impact of such adjustments. Total Value Realized, which we use to calculate realized price per REO MT, is defined as our product sales adjusted for the revenue impact of tariff-related rebates from Shenghe on account of prior sales, and, in connection with our sales of REO to Shenghe between July 1, 2019, and June 5, 2020, the Shenghe Implied Discount. The Shenghe Implied Discount is equal to the difference between (i) Shenghe's average realized price, net of taxes, tariffs and certain other agreed-upon charges (such as one-time demurrage charges) on our products once sold to their ultimate customers and (ii) the amount of revenue we recognized on the sales of those products to Shenghe for sales between July 1, 2019, and June 5, 2020, which includes a non-cash portion. Realized price per REO MT is calculated as the quotient of: (i) our Total Value Realized for a given period and (ii) our REO sales volume for the same period. Production Costs, which we use to calculate production cost per REO MT, is defined as our cost of sales (excluding depreciation, depletion 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 calculated as the quotient of: (i) our Production Costs for a given period and (ii) our REO sales volume for the same period. We define Free Cash Flow as net cash provided by or used in operating activities less additions of property, plant and equipment, net of proceeds received from government awards used for construction. Normalized Stage I Free Cash Flow is defined as Free Cash Flow plus (i) the non-cash portion of revenue from sales to Shenghe (i.e., Offtake Paydown), (ii) growth capital expenditures, and (iii) expenditures for transaction-related and other non-recurring costs. We define Adjusted Operating Cash Flow as net cash provided by or used in operating activities plus the non-cash portion of revenue from sales to Shenghe. You can find the reconciliation of these measures to the most directly comparable GAAP measures in the Appendix.

MP Materials' management uses Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Net Income, to compare MP Materials' performance to that of prior periods for trend analyses and for budgeting and planning purposes. MP Materials believes Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Net Income provide useful information to management and investors regarding certain financial and business trends relating to MP Materials' financial condition and results of operations. MP Materials believes that the use of Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted Net Income provide an additional tool for investors to use in evaluating projected operating results and trends. MP Materials believes realized price per REO MT, which utilizes the non-GAAP financial measure, Total Value Realized, is an important measure of the market price of the Company's product. Furthermore, MP Materials believes production cost per REO MT sold, which utilizes the non-GAAP financial measure, Production Costs, is a key indicator of the Company's production efficiency. We believe Free Cash Flow, Normalized Stage I Free Cash Flow, and Adjusted Operating Cash Flow, are useful for comparing our ability to generate cash with that of our peers. 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. MP Materials' method of determining these non-GAAP measures may be different from other companies' methods and, therefore, may not be comparable to those used by other companies and MP Materials does not recommend the sole use of these non-GAAP measures to assess its financial performance. Management does not consider non-GAAP measures in isolation or as an alternative or to be superior to financial measures determined in accordance with GAAP. The principal limitation of non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in MP Materials' financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures. In order to compensate for these limitations, management presents reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measures.

# Industry Overview

# As the EV revolution gains momentum, demand for magnets, and the rare earths used to make them, accelerates

CNBC

**Biden announces a new national target for electric vehicles to make up half of all new vehicle sales by 2030.**

Published: Aug 5 2021

CBS

**General Motors Aspires To Be Full-Electric By 2035, Makes 27 Billion Dollar Investment To Accelerate Plans**

Published: Jan 28 2021

REUTERS

**Volkswagen takes aim at Tesla with own European gigafactories**

Published: Mar 15 2021

*"Our transformation will be fast, it will be unprecedented…E-mobility has become core business for us"*

Herbert Diess,
Chairman - Board of Management,
Volkswagen AG

POLITICS

CNBC

**Biden to order review of U.S. reliance on overseas supply chains for semiconductors, rare earths**

Published: Feb 18 2021

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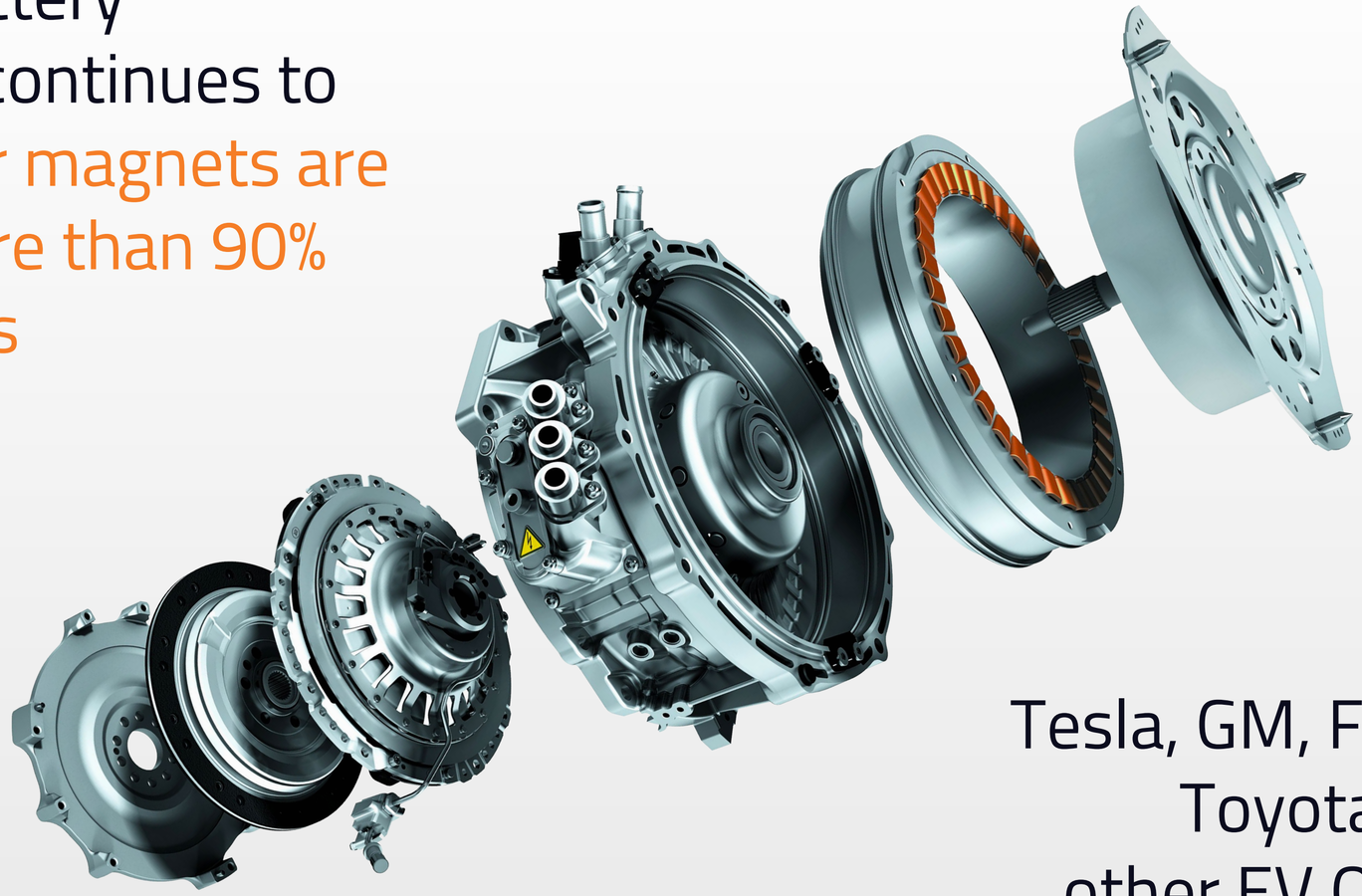
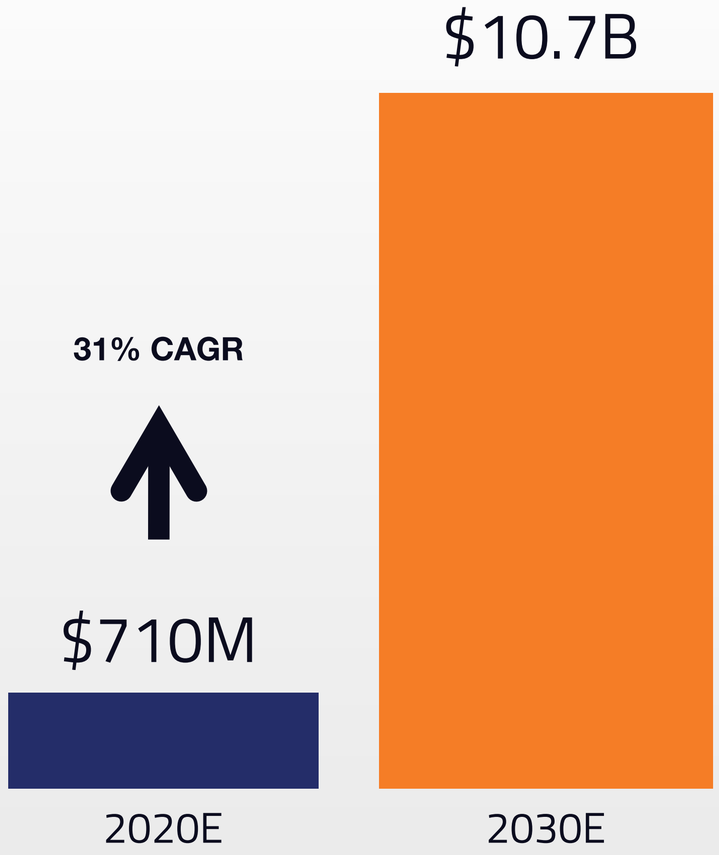
While EV battery technology continues to evolve, NdPr magnets are found in more than 90% of EV motors



Tesla, GM, Ford, VW, Hyundai, Toyota, Rivian and most other EV OEMs rely on NdPr magnet motors

# EVs are driving explosive growth—magnets for electric powertrains are expected to grow 15x in the next decade

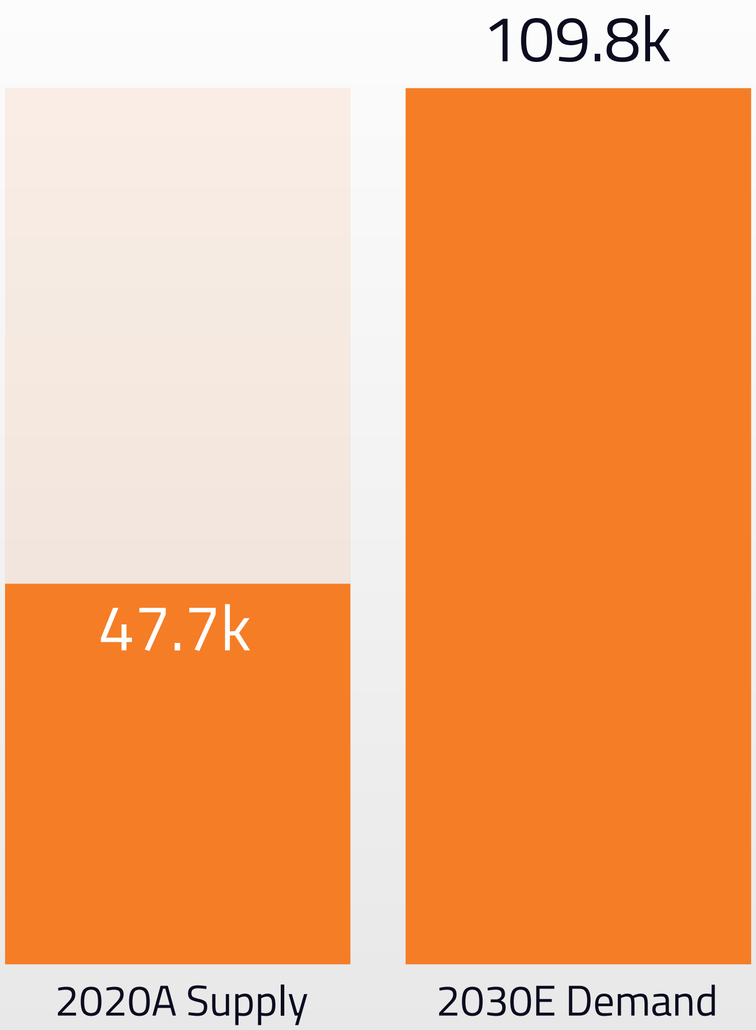



**EV Motor Magnet Market**
*(EV Powertrains Only, Value)*



Source: Internal research, Adamas and Roskill

# Strong growth across the electrification supply chain has put the NdPr supply gap in focus




**Estimated NdPr Volumes**
*(MT)*



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Source: CRU Group

# Sustainability is at the core of our operations, products, end markets and business strategy

**A dry tailings process eliminates the need for high risk wet-tailings ponds**

**More than 1 billion liters of water are recycled into the production process annually to meet 95% of need**

# Focus on supply chains has dramatically increased over the last 18 months

**How Semiconductor Shortages Have Taken A Chip Out Of The Global Supply Chain**

Published: July 13, 2021

Forbes

**Six Days in Suez: The Inside Story of the Ship That Broke Global Trade**

Published: June 23, 2021

Bloomberg

**Cargo Ship Logjam in Los Angeles Highlights Pandemic Supply-Chain Issues**

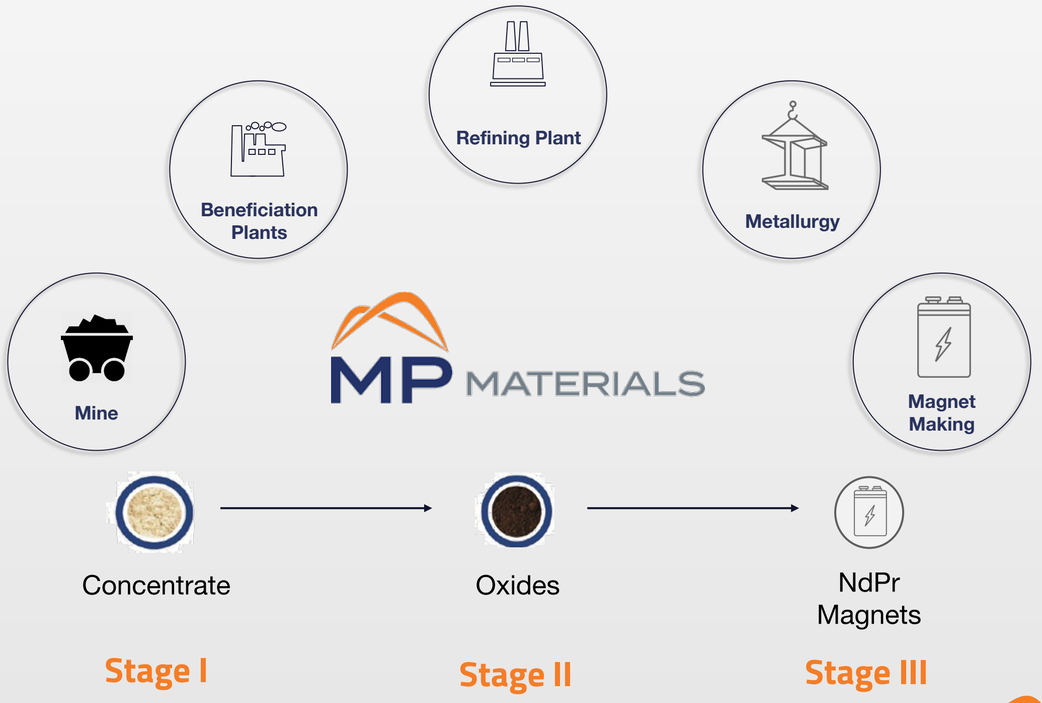
Published: April 12, 2021

THE WALL STREET JOURNAL.

# The supply chain demands a Western Hemisphere supplier

# Business Overview

# MP Materials
# at-a-glance




## Rich Rare Earths History

**60+ years**
Since Production Started at Mountain Pass

**$1.7B**
Capital Invested Since 2011

## Vast, High-Grade Reserve

**948k mt tREO**
Recoverable Resources and Reserves

**~7% ore grade**
World-Class Reserve

## Stage I: Largest Ex-China Producer of REOs

**~39,700 mt**
LTM 6/30/21 Production (tREO in Concentrate)

**~15% Est. Market Share**
of global REO consumed over last twelve months

## Stage II: Optimizing Refining Capability for Separated REOs

**~6,075 mt NdPr**
Expected Run-rate Annual Production

## Stage III: Potential Downstream Expansion

**NdPr Magnet Production**

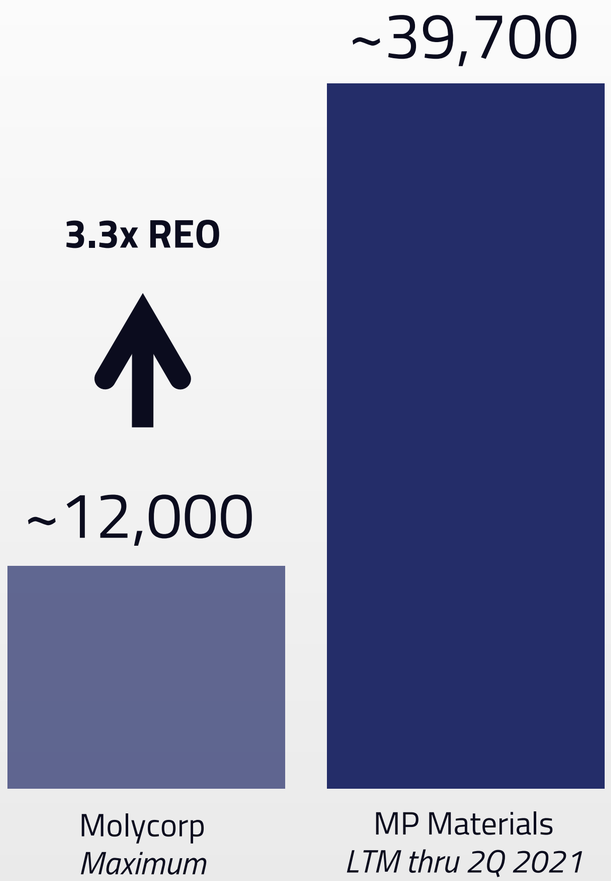
**Buy, Build and/or JV**

**Potential for fully integrated business with lower volatility**

# Stage I – Complete
# Rare Earth Concentrate Production

- Mining, milling, and executing on optimized flotation process
- We believe we are currently producing approximately 15% of global rare earth content
- Annual production is ~3.3x that of predecessor
- Substantial improvements in throughput, recovery, and uptime driven by current Management

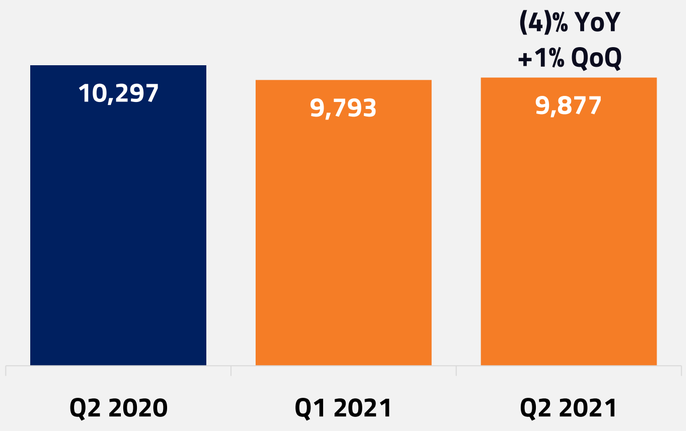
| Mining Processing | Refining Separation | Metal Making Alloying | Magnet Making |
|---|---|---|---|



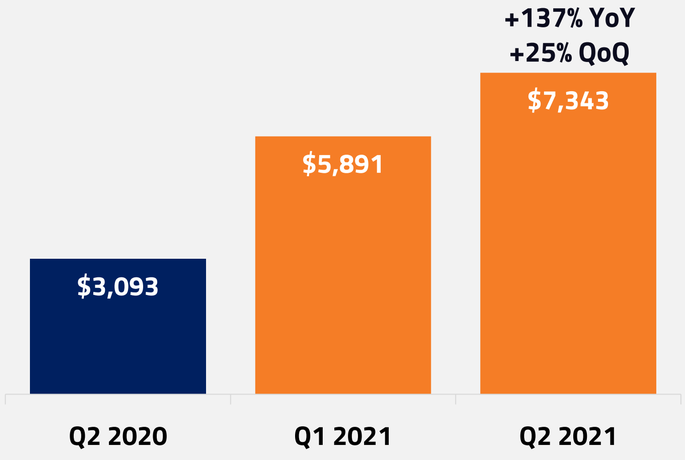

**Stage I Volumes**
*(MT REO)*

# Continued operational execution

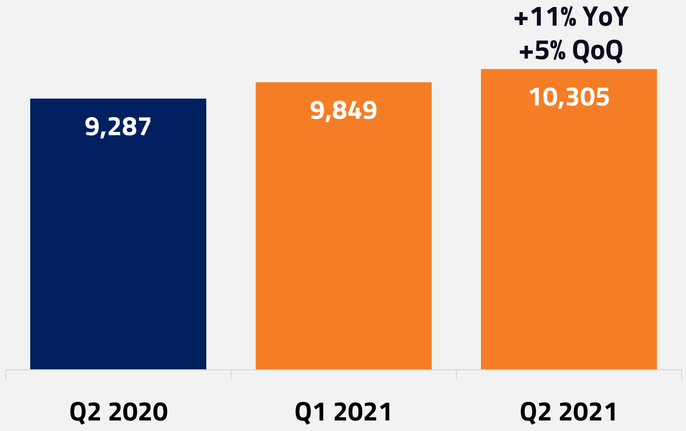
## Comparable Operational Metrics—Sequential and Year-over-Year

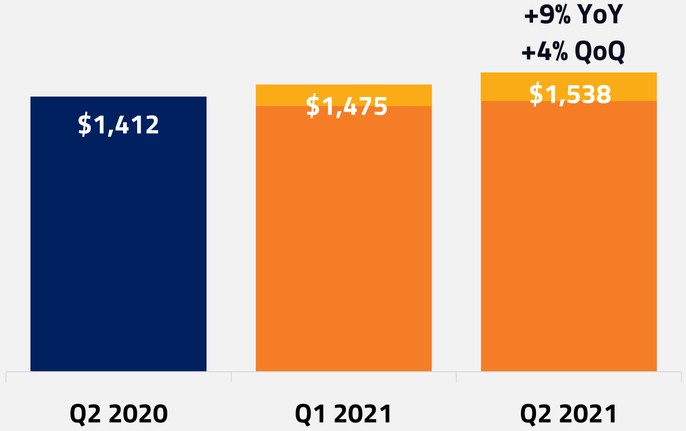

REO Sales Volumes (MT)




Realized Price[1] ($/MT REO)




REO Production Volumes (MT)




Production Cost[2] ($/MT REO)

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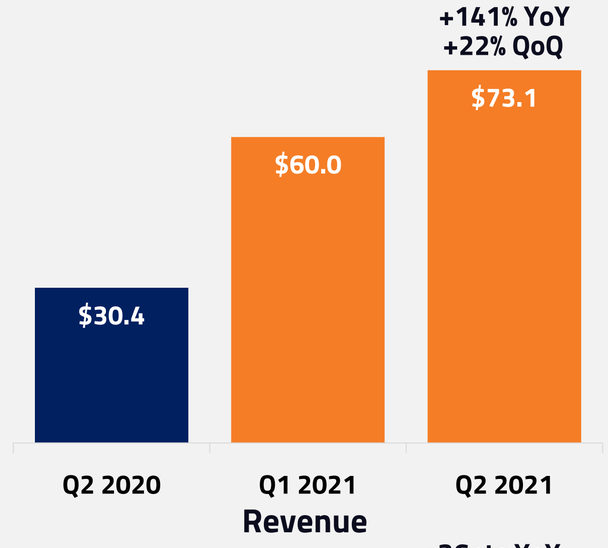
1. See Appendix for calculation of realized price per REO MT, which includes the non-GAAP financial measure, Total Value Realized. See Appendix for a reconciliation of Total Value Realized (non-GAAP) to Product sales (GAAP).
2. See Appendix for calculation of production cost per REO MT, which includes the non-GAAP financial measure, Production Costs. See Appendix for a reconciliation of Production Costs (non-GAAP) to Cost of sales (GAAP).

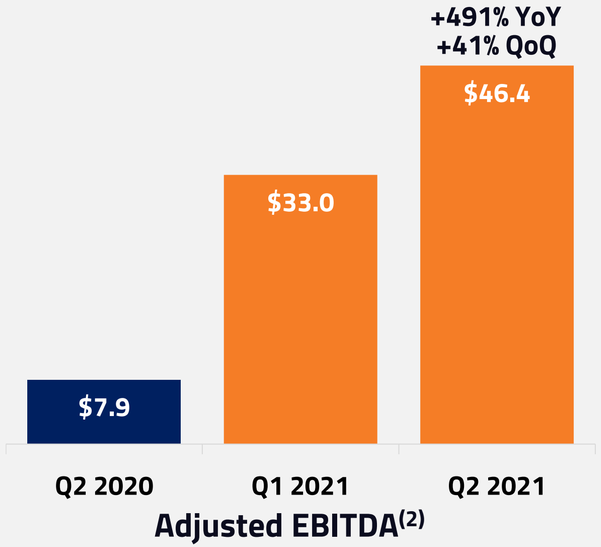
# Rapid revenue & earnings growth

2020 2021

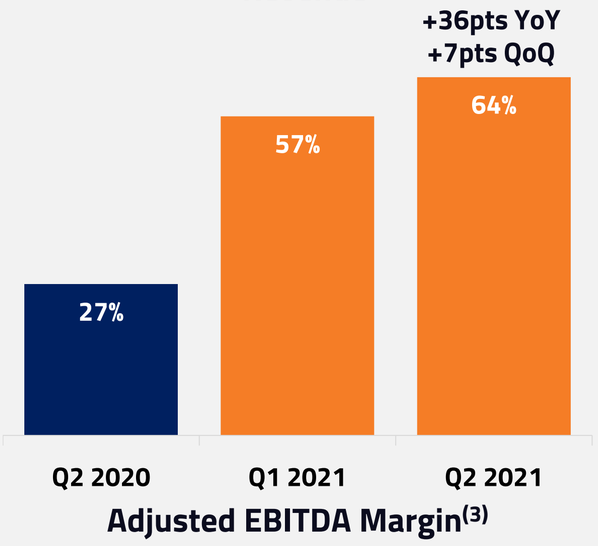
## Comparable Financial Metrics—Sequential and Year-over-Year[1]



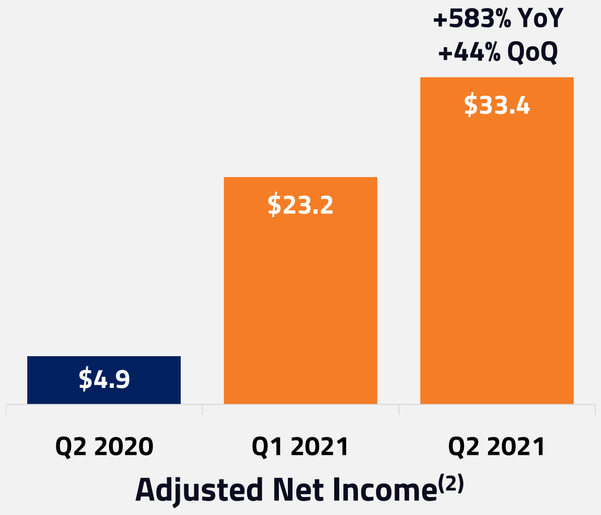

Revenue




Adjusted EBITDA[2]




Adjusted EBITDA Margin[3]




Adjusted Net Income[2]

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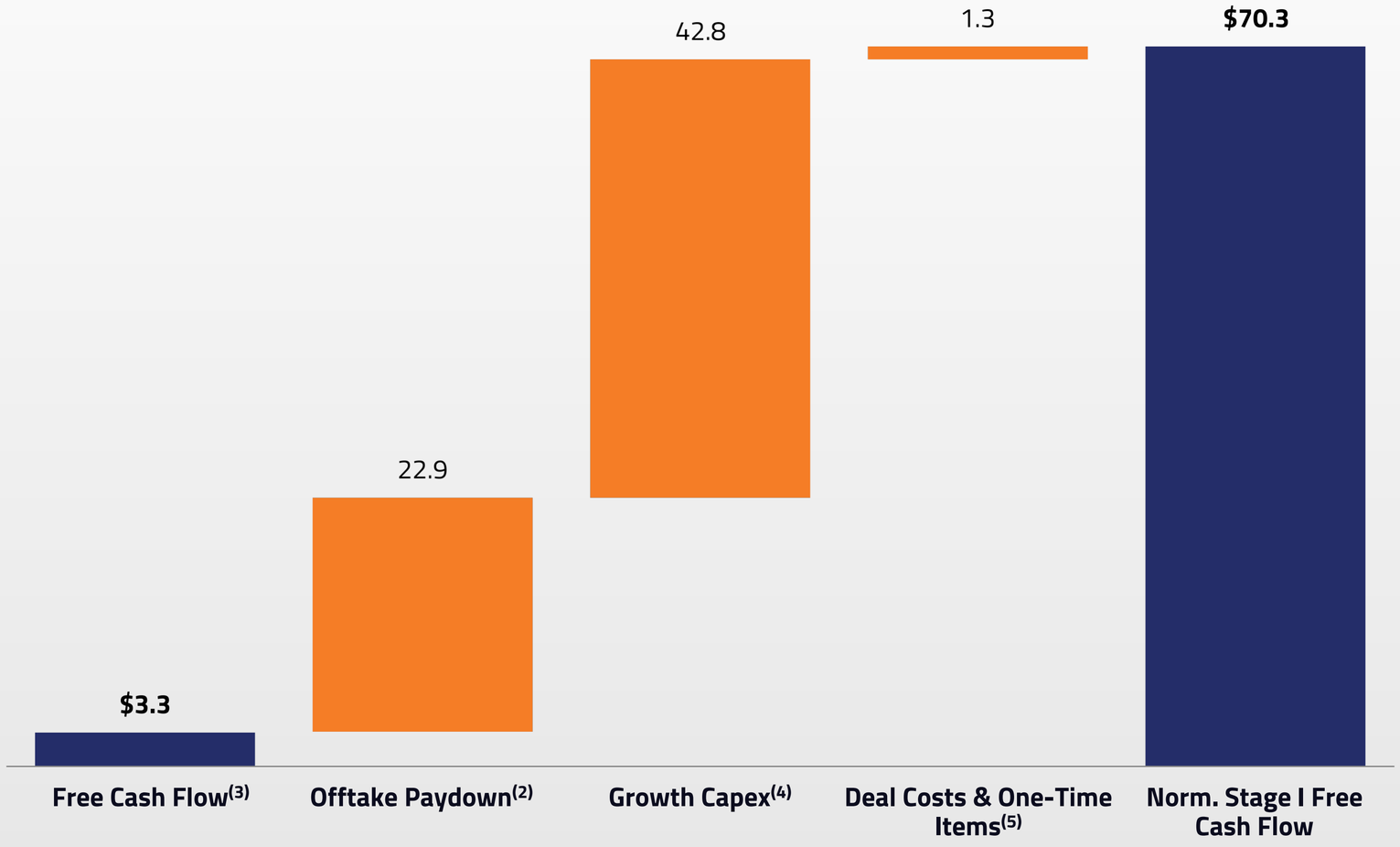
1. All figures in millions except for margins
2. See Appendix for reconciliation of Adjusted EBITDA and Adjusted Net Income to the most directly comparable financial measure prepared in accordance with U.S. GAAP
3. Q2 2020 and Q1 2021 Adjusted EBITDA Margin calculations exclude $1.4M and $2.1M, respectively, of out-of-period tariff refunds recognized within revenues but removed from the calculations of Adjusted EBITDA

# Significant Stage I normalized free cash flow

- Normalized Stage I Free Cash Flow of $70.3M or 52.8% of YTD sales(1)
- $22.9M of YTD Offtake Paydown reflected as reduction of GAAP operating cash flows(2)
- Growth capex is primarily Stage II Optimization spending, costs for recommissioning, CHP-related and other growth capital spending

**YTD 2Q 2021 Reported FCF to Normalized Stage I FCF Bridge ($M)**

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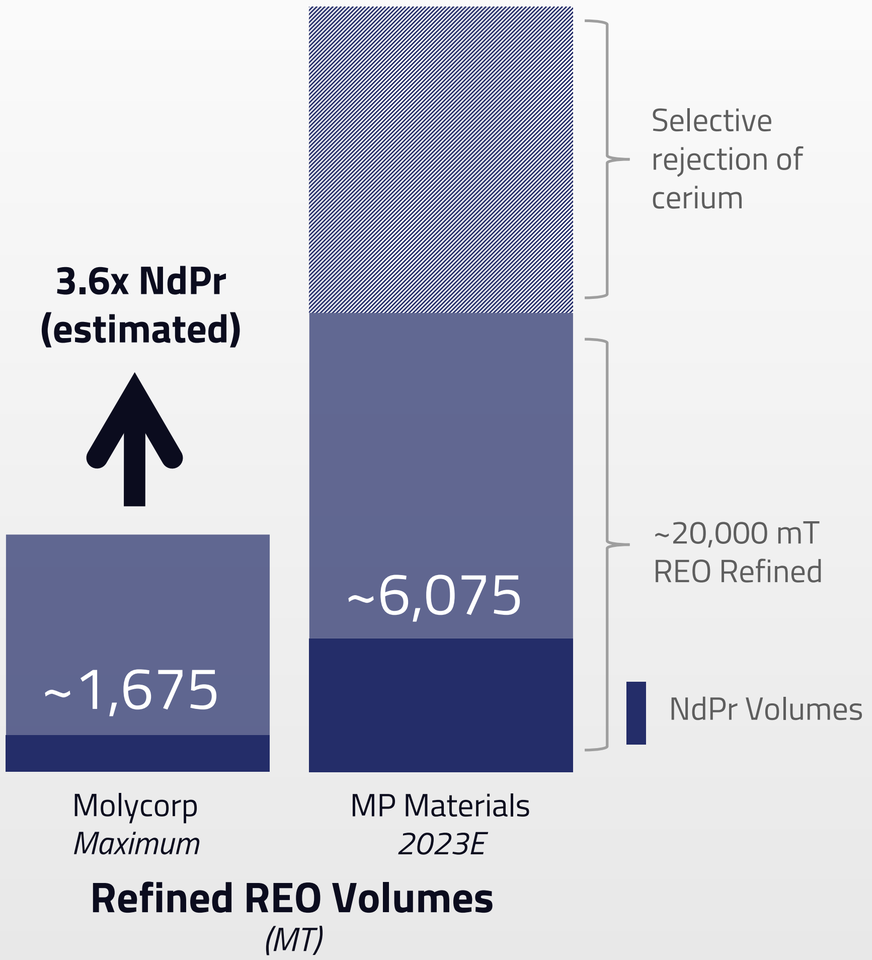
1. Defined as Normalized Stage I Free Cash Flow as a percentage of Product sales
2. Reflects the reduction in the Shenghe Offtake balance. See Appendix for further details on the U.S. GAAP treatment of the offtake paydown.
3. See Appendix for reconciliation of Free Cash Flow and Normalized Stage I Free Cash Flow to the most directly comparable financial measure prepared in accordance with U.S. GAAP
4. Growth Capex consists primarily of: (1) Stage II engineering, construction, progress payments and other costs; (2) capitalized plant recommissioning expenses; and (3) CHP and water treatment plant related recommissioning expenses
5. Deal Costs & One-Time Items consists primarily of costs related to the secondary equity offering, which was completed contemporaneously with an offering by the Company of green convertible senior notes (the "Convertible Notes") in March 2021

# Stage II – In Process
# Separated Rare Earth Oxides

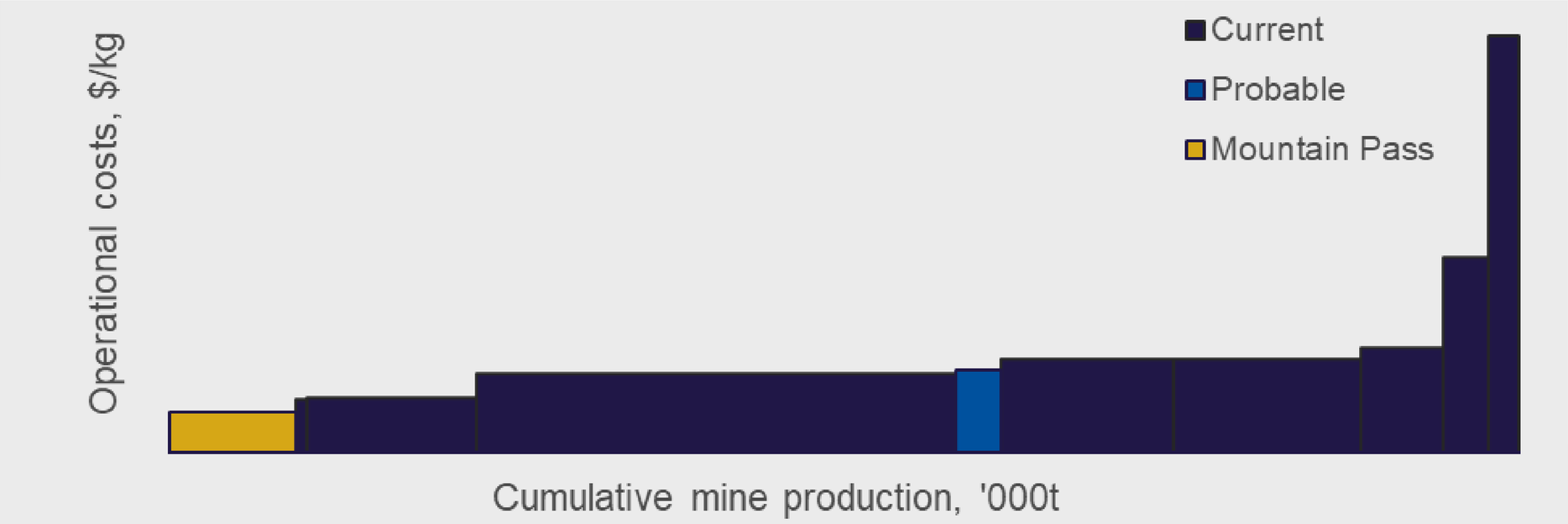
- Optimization project adds back roasting into the refining process, which previously drove decades of success at Mountain Pass
- Roasting leverages the inherent benefits of the ore body, significantly lowering costs while improving reliability and reducing the environmental footprint
- Higher recoveries of NdPr at lower cost maximizes the upside earnings potential from growth in electrification

| Mining Processing | Refining Separation | Metal Making Alloying | Magnet Making |
|---|---|---|---|



# MP Materials expects to be the lowest cost rare earth materials producer in the world

**Operational ordered cost curve ($/kg REO) for major producers (real 2020$)[1]**




[1] CRU Updated Rare Earths Market Study, January 2021

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# MP has a strategy to become a fully-integrated market champion

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| Stage I | Stage II | Stage III |
|---|---|---|
| Complete | 2023 | Pulling forward from 2025 |

| Mining Processing | Refining Separation | Metal Making Alloying | Magnet Making | End Products |
|---|---|---|---|---|

# MP Materials' Mission is to restore the full rare earth supply chain to the United States

## RESOURCE

MP Materials has one of the highest-grade rare earth ore bodies and what we believe is the greenest rare earth mining and processing operation globally

## CAPITAL

With approximately $1.7B of capital invested in state-of-the-art production facilities and a fully-funded, three-stage strategy, we believe we can capitalize on this opportunity

## ALIGNMENT

MP Materials is led by owner-operators with aligned incentives and a strong track record of execution

## EXPERTISE

Our engineering and operations team has decades of rare earth expertise, producing world-class uptime and yields with an industry leading cost profile

# Appendix

# Summary
## P&L

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

| *(in thousands, unaudited)* | For the three months ended June 30, 2021 | For the three months ended June 30, 2020 | For the three months ended March 31, 2021 |
|---|---|---|---|
| Product sales | $ 73,118 | $ 30,391 | $ 59,971 |
| | | | |
| Operating costs and expenses: | | | |
| Cost of sales (excluding depreciation, depletion and amortization) | 17,955 | 16,865 | 17,936 |
| Write-down of inventories | 1,809 | — | — |
| Royalty expense to SNR | — | 366 | — |
| General and administrative | 13,631 | 5,843 | 13,583 |
| Depreciation, depletion and amortization | 6,666 | 1,382 | 6,150 |
| Accretion of asset retirement and environmental obligations | 592 | 564 | 593 |
| Settlement charge | — | 66,615 | — |
| Total operating costs and expenses | 40,653 | 91,635 | 38,262 |
| Operating income (loss) | 32,465 | (61,244) | 21,709 |
| Other income, net | 3,504 | 155 | 55 |
| Interest expense, net | (2,639) | (1,066) | (1,154) |
| Income (loss) before income taxes | 33,330 | (62,155) | 20,610 |
| Income tax expense | (6,164) | (336) | (4,491) |
| Net income (loss) | $ 27,166 | $ (62,491) | $ 16,119 |

# Reconciliation
## Net Income (Loss) to Adjusted EBITDA

| *(in thousands, unaudited)* | For the three months ended June 30, 2021 | For the three months ended June 30, 2020 | For the three months ended March 31, 2021 |
|---|---|---|---|
| **Net income (loss)** | **$ 27,166** | **$ (62,491)** | **$ 16,119** |
| *Adjusted for:* | | | |
| Depreciation, depletion and amortization | 6,666 | 1,382 | 6,150 |
| Interest expense, net | 2,639 | 1,066 | 1,154 |
| Income tax expense | 6,164 | 336 | 4,491 |
| Stock-based compensation expense[1] | 4,498 | — | 5,673 |
| Transaction-related and other non-recurring costs[2] | 247 | 1,619 | 1,058 |
| Accretion of asset retirement and environmental obligations | 592 | 564 | 593 |
| Loss (gain) on sale or disposal of long-lived assets[3] | 170 | — | (133) |
| Write-down of inventories[4] | 1,809 | — | — |
| Royalty expense to SNR | — | 366 | — |
| Settlement charge[5] | — | 66,615 | — |
| Tariff rebate[6] | — | (1,446) | (2,050) |
| Other income, net[7] | (3,504) | (155) | (55) |
| **Adjusted EBITDA** | **$ 46,447** | **$ 7,856** | **$ 33,000** |

1. Principally included in "General and administrative" within our unaudited Condensed Consolidated Statements of Operations. Approximately $3.7 million of the amount for the three months ended June 30, 2021, and $4.1 million of the amount for the three months ended March 31, 2021, pertained to a one-time grant of stock awards to employees and executives upon the consummation of the Business Combination in November 2020.
2. Amounts in the respective periods presented are comprised of advisory, consulting, accounting and legal expenses principally incurred in connection with the secondary equity offering, which was completed contemporaneously with the Convertible Notes offering in March 2021, the redemption of the Company's public warrants in May and June 2021, and the Business Combination, which was completed in November 2020.
3. Included in "General and administrative" within our unaudited Condensed Consolidated Statements of Operations.
4. Represents a write-down of a portion of our legacy low-grade stockpile inventory during the second quarter of 2021 after determining that the inventory contained a significant amount of alluvial material that did not meet the Company's requirement for mill feed.
5. In connection with terminating the Distribution and Marketing Agreement ("DMA") with Shenghe in June 2020, we recognized a one-time, non-cash settlement charge.
6. Represents non-cash revenue recognized in connection with a tariff rebate received relating to product sales from prior periods.
7. Principally represents a non-cash gain recognized as a result of the Small Business Administration's approval to forgive the Paycheck Protection Loan.

# Reconciliation
## Net Income (Loss) to Adjusted Net Income

| *(in thousands, unaudited)* | For the three months ended June 30, 2021 | For the three months ended June 30, 2020 | For the three months ended March 31, 2021 |
|---|---|---|---|
| **Net income (loss)** | **$ 27,166** | **$ (62,491)** | **$ 16,119** |
| *Adjusted for:* | | | |
| Depletion[1] | 4,686 | 28 | 4,531 |
| Stock-based compensation expense[2] | 4,498 | — | 5,673 |
| Transaction-related and other non-recurring costs[3] | 247 | 1,619 | 1,058 |
| Loss (gain) on sale or disposal of long-lived assets[4] | 170 | — | (133) |
| Write-down of inventories[5] | 1,809 | — | — |
| Royalty expense to SNR | — | 366 | — |
| Settlement charge[6] | — | 66,615 | — |
| Tariff rebate[7] | — | (1,446) | (2,050) |
| Other income, net[8] | (3,504) | (155) | (55) |
| Tax impact of adjustments above[9] | (1,632) | 362 | (1,966) |
| **Adjusted Net Income** | **$ 33,440** | **$ 4,898** | **$ 23,177** |

1. Principally includes the depletion associated with the mineral rights for the rare earth ores contained in the Company's mine, which were recorded in connection with the acquisition of SNR at fair value as of the date of the Business Combination, resulting in a significant step-up of the carrying amount of the asset.
2. Principally included in "General and administrative" within our unaudited Condensed Consolidated Statements of Operations. Approximately $3.7 million of the amount for the three months ended June 30, 2021, and $4.1 million of the amount for the three months ended March 31, 2021, pertained to a one-time grant of stock awards to employees and executives upon the consummation of the Business Combination in November 2020.
3. Amounts in the respective periods presented are comprised of advisory, consulting, accounting and legal expenses principally incurred in connection with the secondary equity offering, which was completed contemporaneously with the Convertible Notes offering in March 2021, the redemption of the Company's public warrants in May and June 2021, and the Business Combination, which was completed in November 2020.
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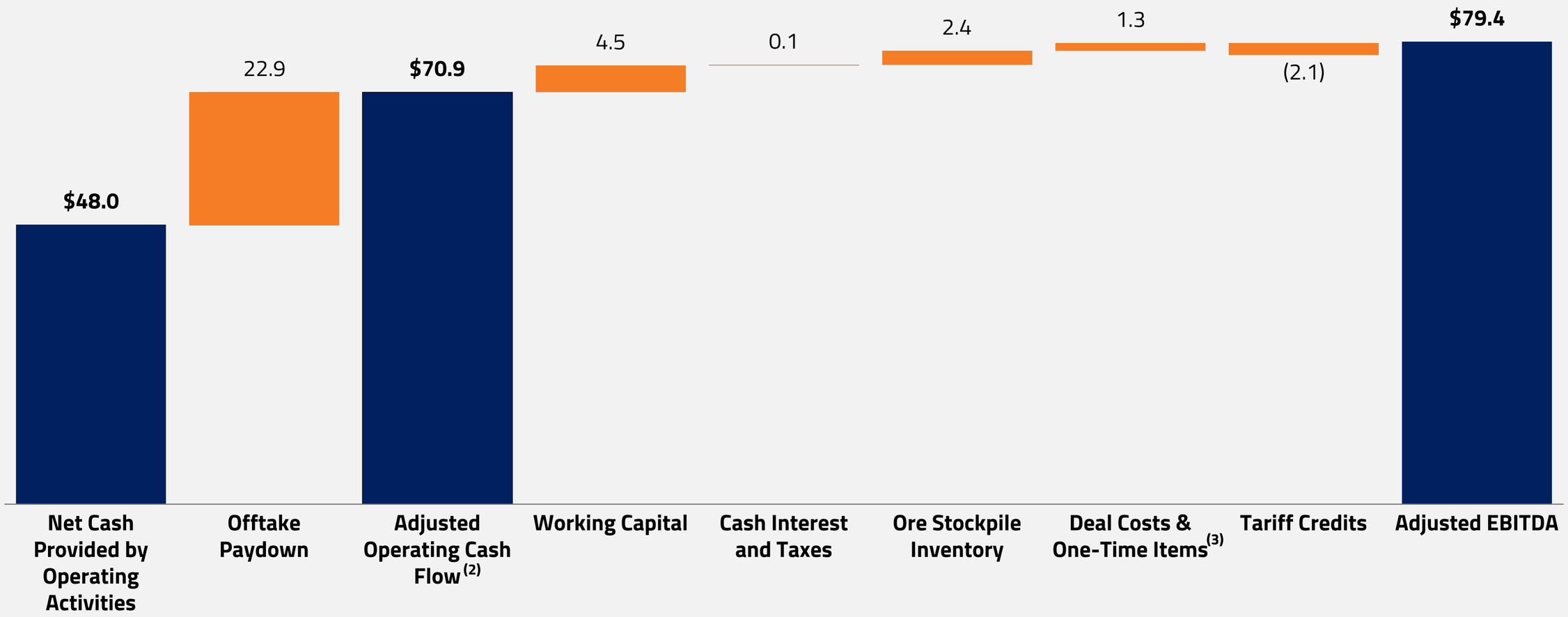
6. In connection with terminating the DMA with Shenghe in June 2020, we recognized a one-time, non-cash settlement charge.
7. Represents non-cash revenue recognized in connection with a tariff rebate received relating to product sales from prior periods.
8. Principally represents a non-cash gain recognized as a result of the Small Business Administration's approval to forgive the Paycheck Protection Loan.
9. 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 20.6%, (0.5)%, and 21.8% for the three months ended June 30, 2021 and 2020 and for the three months ended March 31, 2021, respectively. The rate for the three months ended June 30, 2020, reflects a full valuation allowance.

# YTD 2021 Cash Flow Bridge[1]






1. All figures in millions
2. See "Use of Non-GAAP Financial Measures" for definition and further information. See Slide 21 for a reconciliation to the most comparable metric prepared in accordance with U.S. GAAP.
3. Deal Costs & One-Time Items consists primarily of costs related to the secondary equity offering, which was completed contemporaneously with the Convertible Notes offering in March 2021, and the redemption of the Company's public warrants in May and June 2021.

# Reconciliations

## Net Cash Provided by Operating Activities to Non-GAAP Financial Measures

| *(in thousands, unaudited)* | For the six months ended June 30, 2021 |
|---|---|
| **Net cash provided by operating activities** | **$ 47,969** |
| Additions of property, plant and equipment | (44,691) |
| **Free Cash Flow** | **3,278** |
| *Adjusted for:* | |
| Revenue recognized in exchange for debt principal reduction[1] | 22,901 |
| Growth capital expenditures | 42,847 |
| Deal costs and one-time items | 1,305 |
| **Normalized Stage I Free Cash Flow** | **$ 70,331** |
| | |
| **Net cash provided by operating activities** | **$ 47,969** |
| Revenue recognized in exchange for debt principal reduction[1] | 22,901 |
| **Adjusted Operating Cash Flow** | **$ 70,870** |



1. Referred to previously as Offtake Paydown. Under the terms of the A&R Offtake Agreement and pursuant to the accounting treatment thereof, we recognized $22.9 million of non-cash revenue during the six months ended June 30, 2021, which was retained by Shenghe to reduce our outstanding debt obligation. Accordingly, such amount is excluded from operating cash flows under GAAP.

# KPI – Realized Price
## Reconciliation and Calculation

| *(in thousands, unless otherwise stated, unaudited)* | For the three months ended June 30, 2021 | For the three months ended June 30, 2020 | For the three months ended March 31, 2021 |
|---|---|---|---|
| **Product sales** | **$ 73,118** | **$ 30,391** | **$ 59,971** |
| *Adjusted for:* | | | |
| Shenghe Implied Discount[1] | — | 3,023 | — |
| Other[2] | (596) | (1,563) | (2,282) |
| **Total Value Realized[3]** | **$ 72,522** | **$ 31,851** | **$ 57,689** |
| | | | |
| Total Value Realized[3] | $ 72,522 | $ 31,851 | $ 57,689 |
| *Divided by:* | | | |
| REO sales volume (in MTs) | 9,877 | 10,297 | 9,793 |
| Realized price per REO MT (in dollars)[4] | $ 7,343 | $ 3,093 | $ 5,891 |

1. Represents the difference between the contractual amount realized by Shenghe Resources (Singapore) International Trading Pte. Ltd. ("Shenghe") and the amount of deferred revenue we recognized.
2. The amounts for the three months ended March 31, 2021, and June 30, 2020, pertain primarily to tariff rebates due to the retroactive effect of lifting the Chinese tariffs in May 2020. The amount for the three months ended June 30, 2021, pertains to revenue recognized under our government contracts.
3. See "Use of Non-GAAP Financial Measures" for definition and further information.
4. May not recompute as presented due to rounding.

# KPI – Production Cost
## Reconciliation and Calculation

| *(in thousands, unless otherwise stated, unaudited)* | For the three months ended June 30, 2021 | For the three months ended June 30, 2020 | For the three months ended March 31, 2021 |
|---|---|---|---|
| **Cost of sales[1]** | **$ 17,955** | **$ 16,865** | **$ 17,936** |
| *Adjusted for:* | | | |
| Cost attributable to sales of stockpiles | (6) | (112) | (73) |
| Stock-based compensation expense[2] | (578) | — | (1,318) |
| Shipping and freight | (2,183) | (2,210) | (2,098) |
| **Production Costs[3]** | **$ 15,188** | **$ 14,543** | **$ 14,447** |
| | | | |
| Production Costs[3] | $ 15,188 | $ 14,543 | $ 14,447 |
| *Divided by:* | | | |
| REO sales volume (in MTs) | 9,877 | 10,297 | 9,793 |
| Production Cost per REO MT (in dollars)[4] | $ 1,538 | $ 1,412 | $ 1,475 |

1. Excluding depreciation, depletion and amortization.
2. Pertains only to the amount of stock-based compensation expense included in cost of sales (as opposed to general and administrative).
3. See "Use of Non-GAAP Financial Measures" for definition and further information.
4. May not recompute as presented due to rounding.

MP MATERIALS

# Thank You