

Hudson Resources And Neo Performance Materials Sign Agreement On The Sarfartoq Rare Earth Element Project In Greenland

written by Raj Shah | August 22, 2022

The Project is expected to have a very small environmental footprint, is located close to excellent infrastructure, and features a highly enriched rare earth mineralization in elements required for permanent magnets

Investment represents a key step in Neo's Magnets-to-Mine vertical integration strategy and its plans to expand into rare earth permanent magnet manufacturing in Europe

August 22, 2022 ([Source](#)) – HUDSON RESOURCES INC. (“**Hudson**” or the “**Company**”) (TSXV: [HUD](#)) (OTC: HUDRF) and Neo Performance Materials Inc. (“**Neo**”), (TSX: [NEO.TO](#)) are pleased to announce that the parties have executed a binding agreement (“**Agreement**”) whereby Neo will acquire from Hudson an exploration license (“**License**”) covering the Sarfartoq Carbonatite Complex in southwest Greenland (the “**Project**”). The Project hosts a mineral deposit that is enriched in neodymium and praseodymium, two essential elements for rare earth permanent magnets used in electric vehicles, wind turbines, and high-efficiency electric motors and pumps that help reduce greenhouse gas emissions.

Located just 60 kilometers from the international airport in Kangerlussuaq, the Project is close to tidewater and a major port facility and is directly adjacent to some of the best

hydroelectric potential in Greenland.

Neo, through a special purpose entity (“**SPE**”), plans to explore and develop the Sarfartoq Project to further diversify its global sourcing of rare earth ore and to expand the rare earth supply chains that feed Neo’s rare earth separation facility in Estonia. That facility was recently awarded a Gold Medal for its sustainable practices by EcoVadis, the well-respected global sustainability auditor.

Neo is also pursuing plans to break ground on a greenfield rare earth permanent magnet manufacturing plant in Estonia that is intended to provide European manufacturers with the permanent magnets needed for electric and hybrid vehicles, wind turbines, and energy-saving electric motors and pumps. The Sarfartoq Project also is a key element of Neo’s “Magnets-to-Mine” vertical integration strategy.

Completion of the sale of the license (the “**Transaction**”) is subject to various conditions, including approval from the Government of Greenland for the transfer of the License, expected to take approximately six months, and approval of the TSX Venture Exchange (the “**TSXV**”) on the part of Hudson.

Neo intends to assign its rights under the Agreement to an SPE controlled by Neo that would hold the License and continue exploration and ultimately extraction of the rare earth elements on the Project.

The key terms of the Agreement are as follows:

- Hudson receives a nonrefundable initial cash payment of US\$250,000 upon signing of the Agreement.
- Upon receipt of approval from the Greenland government, Hudson will transfer the License to Neo or the SPE.

- Hudson will receive an additional US\$3,250,000 upon closing of the transaction.
- If within five years from the date of closing of the transaction (1) the SPE transfers the License, or there is a change in control of the SPE pursuant to an acquisition or merger, then Hudson will receive 5% of the total consideration received by the SPE in connection with such transfer, or (2) the SPE conducts an initial public offering on a stock exchange (“**IPO**”), then Hudson will receive 5% of the fully diluted equity interests in the SPE immediately prior to the IPO.

The License covers the large Sarfartoq carbonatite complex that hosts Hudson’s ST1 **REE** project and the Nukittoq Niobium-Tantalum project. The REEs on the Property have a high ratio of neodymium and praseodymium at 25%-40% of Total Rare Earth Oxides. Hudson completed a [Preliminary Economic Assessment](#) on the ST1 project in November 2011 (see NR2011-15) that outlined a National Instrument 43-101 compliant resource containing 27 million kilograms of neodymium oxide and 8 million kilograms of praseodymium oxide.

Three kilometers east of the ST1 Zone is another high-grade zone (ST40) that hosts one of the rare earth industry’s highest-known ratios of neodymium oxide to Total Rare Earth Oxide (TREO) – 45% – as shown by Hudson’s original mineralogical work (see NR2011-02).

Neo and the SPE expect to conduct additional exploratory drilling and other work to move the Project forward to eventual commercial operation. Neo also intends to enter into an offtake agreement with the SPE with rights to purchase 60% of the ore or mineral concentrate produced from the Project.

Jim Cambon, Hudson’s President commented: *“We are very pleased to have signed this agreement with a global leader in the*

production of advanced materials. As the world faces critical shortages of rare earth elements outside of China, we are pleased to help bring the Sarfartoq project a step closer to commercial reality. This deal provides a significant cash injection to the company and importantly, also gives Hudson shareholders potential significant upside in the future value of the Sarfartoq projects through equity or additional consideration.”

Constantine Karayannopoulos, Neo’s President and Chief Executive Officer, commented: *“Neo continuously pursues supply chain optionality in order to ensure that our customers have a dependable supply of engineered rare earth products. Once in production, this project will significantly increase the diversity of global rare earth supply for our processing facilities around the world. It also is another step in our Magnets-to-Mine vertical integration strategy. Based on our significant experience in assessing strategic mineral resources around the world, we believe the Sarfartoq resource in Greenland is a strategic asset that uniquely complements Neo’s European rare earth magnet growth strategy. This resource would supplement our current supply of rare earth concentrate from Energy Fuels in the United States. We are very confident and supportive of the Greenlandic Government’s vision for sustainable-focused mining as the driver of their economic development, job creation, and growth. We are looking forward to working with Greenland to responsibly develop this resource into a producing mine, of which Neo would be the primary customer.”*

Closing of the transaction is subject to customary regulatory approvals by the TSX-V and the Greenland government.

QUALIFIED PERSONS

The scientific and technical information in this news release has been reviewed and approved for disclosure by Dr. Michael

Druecker, a “Qualified Person” of Hudson within the meaning of NI 43-101.

ON BEHALF OF THE BOARD OF DIRECTORS OF HUDSON RESOURCES

“Jim Cambon”

President and Director

ON BEHALF OF THE BOARD OF DIRECTORS OF NEO PERFORMANCE MATERIALS

“Constantine Karayannopoulos”

President and Chief Executive Officer

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

This news release contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Generally, but not always, forward-looking information and statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or the negative connotation thereof or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation thereof. In particular, this news release contains forward-looking information pertaining to the following: the likelihood of completion of the Transaction, the ability to obtain the necessary regulatory authority and government approvals in connection with the transfer of the License, the anticipated timing of the transfer of the License, Neo’s anticipated plans

to develop the Project to diversify its global sourcing of rare earth ore and expand its supply chain; Neo's anticipated plans to break ground on a greenfield rare earth permanent magnet manufacturing plant in Estonia; Neo's ability to transfer the License to the SPE; and Neo's ability to enter into an offtake agreement in connection with the SPE.

In making the forward-looking information in this release, each of Hudson and Neo has applied certain factors and assumptions that are based on the parties' current beliefs as well as assumptions made by and information currently available to Hudson and Neo, as applicable. Although each party considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect, and the forward-looking information in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking information. Such factors include, among others: the inability to obtain the necessary regulatory and governmental approvals in connection with the transfer of the License in accordance with the terms or timeline announced or at all; the occurrence of a material adverse change, disaster, change of law or other failure to satisfy the conditions to closing of the Transaction; the inability of the Neo to transfer the License to the SPE or enter into an offtake agreement with the SPE; the ability of Neo and Hudson, as applicable, to achieve its corporate objectives or otherwise advance the progress of the Project; the ability of Neo to achieve its anticipated business plans, including diversifying its global sourcing of rare earth ore and expanding its supply chain; uncertainties relating to the availability and costs of financing needed in the future; delays in the development of projects, capital and operating costs varying significantly from estimates and the other risks involved in the mineral

exploration and development industry; risks related to the international operations; the timing and content of work programs; results of exploration activities of mineral properties; the interpretation of drilling results and other geological data; failure to convert estimated mineral resources to reserves; the inability to complete a feasibility study which recommends a production decision; the preliminary nature of metallurgical test results; the parties' inability to obtain any necessary permits, consents or authorizations required for its activities; inability to fulfill the duty to accommodate indigenous peoples; an inability to predict and counteract the effects of COVID-19 on the business of the parties, including but not limited to the effects of COVID-19 on the price of commodities, capital market conditions, restriction on labour and international travel and supply chains; general market and industry conditions; and those risks set out in the public documents of Neo and Hudson filed on SEDAR.

Readers are cautioned not to place undue reliance on forward-looking information. Each of Hudson and Neo does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

SOURCE Neo Performance Materials, Inc. 

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