

VITAL METALS EXECUTES TERM SHEET FOR FIRST OFFTAKE WITH NORWEGIAN REE SEPARATION COMPANY, REETEC

HIGHLIGHTS

- **Binding term sheet signed with REEttec for a base of 1,000 tonnes REO (ex-Cerium) per annum for a period of 5 years**
- **REEttec has developed a proprietary and sustainable process for the manufacture of rare earth elements**
- **REEttec was founded by Scatec Innovation, a serial entrepreneur in renewable energy and advanced materials**
- **The term sheet includes an option to increase offtake volumes up to 5,000 tonnes REO (ex-Cerium) per annum for a 10-year long-term supply agreement**

Vital Metals Limited (ASX: **VML**) ("**Vital Metals**" or "**the Company**") is pleased to announce that it has entered into a binding term sheet that sets out the in-principle terms for an offtake and profit-sharing agreement in respect of raw material from the Nechalacho mine between the Company and REEttec AS ("**REEttec**").

The key terms of the agreement are set out in further detail below and are subject to execution of a definitive agreement on or before 31 January 2021 (unless extended) ("**Definitive Agreement**").

REEttec is a Norwegian company that has developed a completely new and potentially game changing process for the separation of high purity rare earth elements ("**REE**") ("**REEttec Products**"). The patent pending technology has been proven through the successful operation of an industrial scale demonstration plant at the Herøya Industrial Park close to Porsgrunn, Norway. The process combines high efficiency and a competitive cost structure with best in class environmental friendliness. REEttec reutilises virtually all consumables in the production process. The energy demand is very low and electricity consumption is 100% based on hydro-electric sources.

REEttec was founded by Scatec Innovation. Over a period of more than thirty years, Scatec Innovation has taken a leading role in the industrialization of several ground-breaking technologies in renewable energy and advanced materials. Scatec Innovation holds significant ownership positions in both private and public companies. For further information about Scatec Innovation visit www.scatec.no

Vital Metal's Managing Director, Geoff Atkins commented:

"We are delighted to secure this significant off-take term sheet with a partner such as REEtec. The agreement will form the foundation for the development of the Company's Processing Operations in 2021. In the same way that Vital is focussing on the development of a low environmental impact mining operation at Nechalacho in Canada's Northwest Territories, it is also a pleasure to be able to join with a likeminded company to develop a source of rare earths to support our customers in the diversification of their supply chains. To achieve this whilst highlighting the potential for low environmental impact rare earth supply chains is extremely pleasing."

REEtec's CEO, Sigve Sporstøl commented:

"We believe the step-by-step growth approach of Vital is complementary to our own. We look forward to growing our businesses together while providing our partners further down the value chain with a more diversified source for their much-needed magnetic materials."

REEtec Chairman and Scatec Innovation CEO, John Andersen, Jr. commented:

"We are pleased to have partnered with Vital Metals which we consider to be a leading supplier of rare earth concentrate outside of China. We look forward to a prosperous working relationship with Vital, thereby securing stable supply of rare earth elements, a critical product for the performance of electric vehicles, wind turbines, consumer electronics and industrial robots."

Key Term Sheet Conditions

Vital Metals will provide REEtec an annual volume of 1,000 REO (ex-Cerium) ("**Vital Product**") over 5 years. Both parties have an option to increase this offtake volume up to 5,000 tonnes REO (ex-Cerium) per annum over 10 years (subject to a corresponding supply agreement). To expose both parties to market risk while keeping a sufficient level of visibility, the parties have agreed on a pricing mechanism which will secure each party a guaranteed minimum payment, equal to their cost of production, plus a share of the margin. The margin results from the actual sales price achieved by REEtec less the combined guaranteed minimum payments and the transportation costs of finished products for both Vital Metals and REEtec.

The rights and obligations in the term sheet are subject to both Vital Metals and REEtec proceeding with a final investment decision ("**FID**") for the development of their respective commercial plants (with raw material sourced from the Nechalacho mine).

Subject to the successful completion of the construction of a mining and processing facility at the Nechalacho project site and commissioning of REEtec's commercial plant, Vital Metals will sell Vital Product to REEtec and REEtec will purchase such product according to terms and conditions set out in the Definitive Agreement.

The term sheet anticipates the following series of cascading stages ("**Stage**"), with successful completion of each Stage required before moving on to the following Stage, unless agreed otherwise:

1. Stage 1: Parties to agree on specifications for the Vital Product, including purity levels and rare earths distributions.
2. Stage 2: Completion of lab testing of a Vital Product sample by REEtec to confirm suitability of specifications.
3. Stage 3: Subject to each party's FID and following construction and commissioning of a commercial extraction and processing plant by Vital, Vital to provide up to 2.5 tonnes of Vital Product from various production lots to REEtec for processing through REEtec's demonstration plant to confirm REEtec's acceptance of Vital's Product.
4. Stage 4: Initial offtake of Vital Product containing a base of 1,000 tonnes REO (ex-Cerium) per year for a period of 5 years.
5. Stage 5: An option for the parties to expand operations with REEtec offtake volumes increasing during an additional 10-year long term supply agreement to up to 5,000 tonnes REO (ex-cerium) per annum (subject to execution of a corresponding offtake agreement, Vital's FID on its Tardiff project expansion and REEtec's FID on its plant expansion).

The Definitive Agreement will include other terms and conditions customarily found in offtake and profit-sharing agreements, including terms relating to pricing review, review of volume forecasts, the acceptance process, payment terms, reporting requirements, representations and warranties, audit rights and access to records, order placement terms, terms of delivery, force majeure, termination and limitation of liability.

- ENDS-

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This announcement has been authorised for release by the Board of Vital Metals.

About Vital Metals

Vital Metals Limited (ASX:VML) is an explorer and developer focussing on rare earths, technology metals and gold projects. Our projects are located across a range of jurisdictions in Canada, Africa and Germany.