

ASX / Media Announcement
29 January 2021

QUARTERLY REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2020

Highlights

- Binding term sheet for offtake agreement executed with Norwegian REE separation company REEtec for a base of 1,000 tonnes REO (ex-cerium) per year for five years
- REEtec has developed a proprietary and sustainable process for the manufacture of rare earth elements
- Term sheet includes option to increase offtake volumes up to 5,000 tonnes REO (ex-Cerium) per annum for a 10-year long-term supply agreement
- \$8M Placement completed

Vital Metals Ltd (ASX: VML) (Vital or the Company) is pleased to report on its activities during the December 2020 quarter including at its 100%-owned Nechalacho Rare Earth Project in Yellowknife, Northwest Territories ("NWT"), Canada, where it is targeting to commence rare earth oxide production in 2021.

NECHALACHO RARE EARTHS PROJECT, CANADA (JORC RESOURCE: 94.7MT @ 1.46% REO)

Binding Term Sheet Signed with REEtec

In December, Vital announced it had signed a binding term sheet setting out in-principle terms for an offtake and profit-sharing agreement in respect of raw material from the Nechalacho mine between the Company and Norwegian REE separation company REEtec AS ("REEtec").

Key Term Sheet conditions are subject to execution of a definitive agreement and include that Vital Metals will provide REEtec an annual volume of 1,000 REO (ex-Cerium) ("Vital Product") over five 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). Off-take volumes will be calculated based on the quantities of rare earth contained within a mixed rare earth carbonate product, excluding any cerium (ex-Cerium) which typically accounts for approximately 50% of total rare earths.

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) and the completion of agreed stages to delivery of product.

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.

REEtec 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") ("REEtec 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. REEtec reutilises virtually all consumables in the production process. The energy demand is very low and electricity consumption is 100% based on hydro-electric sources.

REEtec was founded by Scatec Innovation. Over more than 30 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.

Site Preparation Works

During the quarter site establishment and upgrade works continued in preparation of the mobilisation of the mining fleet during the 1st quarter 2021. Key activities included:

- Clearing continued above the future pit
- Ore sorter base and substructure delivered to land use area
- Camp upgrade works continued in preparation of the commencement of mining and production
- Construction of the ice road has commenced in preparation of the mobilisation of a drill rig in January and mining fleet in March 2021
- Bulk sampling and met testwork program underway by SGS
- Mine preparations for mining operations, finalisation of mine plan and completion of project management plan work undertaken



Ore Sorter conveyor and substructure delivered to the land use area



WIGU HILL PROJECT, TANZANIA

During the December quarter the Company has continued discussions with the Tanzanian Government regarding the issuance of a Mining Licence (ML) for the Wigu Hill rare earth project.

NAHOURI GOLD PROJECT, BURKINA FASO

Vital has suspended all exploration activity in Burkina Faso.

AUE COBALT PROJECT, GERMANY

There were no exploration activities on the Aue project in the December quarter.

CORPORATE

As of 31 December 2020, the Company held approximately \$6.1 million in cash and cash equivalents.

During the quarter, the Company made payments of \$106k to related parties and their associates. These payments relate to existing remuneration agreements for the Managing Director, Executive and Non-Executive Directors.

During the quarter, Vital spent \$1m on exploration and evaluation expenditure. Details of activities carried out during the quarter are set out in this report.

The Company completed its \$8m capital raise in October 2020 which comprised 400 million shares at an issue price of \$0.02 per share (the "Placement"). Net proceeds from the Placement will primarily be used to progress the Company towards commencing processing operations, including the purchase of the ore sorter, sampling and met testwork, extraction plant EPCM and for general working capital. Strong demand for the Placement resulted in additional funds being raised which will be used to accelerate further exploration and development work at the Tardiff zone within the Company's Nechalacho Project.

Board Changes

In December, Phillip Coulson resigned as a Director of the Company to focus on other business interests.

During his time on the Board, Mr Coulson contributed to guiding the Company through its transformation into a rare earth minerals business. With Vital Metals in a strong position having completed its first offtake agreement, Mr Coulson decided to step down as the Company focuses on its progression towards production in 2021.

Vital thanked Mr Coulson for his significant contribution and service to the Company since his appointment to the Board in January 2019.



Annual General Meeting

At Vital's Annual General Meeting on 26 November 2020, all resolutions put to the meeting were decided by a poll and approved by the required majority.

Investor Relations

During the quarter, Managing Director Geoff Atkins gave an update of the company's activities as part of the NWR Communications Virtual Resources Conference.

PERFORMANCE SHARES

The Company has the following Performance Shares on issue as at 31 December 2020:

	Performance Shares – Tranche A	Performance Shares – Tranche B
Number of Performance Shares on Issue	400,000,000	400,000,000
Summary of Terms of the Performance Shares	Convert into Shares (1:1) upon the Company entering into a binding offtake agreement/s for a minimum of 1,000 kgs of contained REO within 2 years of the Completion Date (16 October 2019)	Convert into Shares (1:1) upon the commencement of mining operations (based on a mining plan approved by the Company), within 3 years of the issue of the Tranche A Performance Shares. If this milestone is satisfied, the Tranche A milestone will automatically be deemed to have been satisfied
Performance Shares vested during the quarter	-	-
Performance Shares converted during the quarter	-	-

TENEMENT SCHEDULE as at 31 December 2020

Location	Tenement	Status	Interest at beginning of quarter	Interest acquired or disposed	Interest at end of quarter
Canada	Nechalacho	100%*	100%	0%	100%
Burkina Faso	Nahouri	100%	100%	0%	100%
	Kampala	100%	100%	0%	100%
	Zeko	100%	100%	0%	100%
Germany	Aue	100%	100%	0%	100%
Tanzania	Wigu Hill	0%**	0%	0%	0%

* Vital owns 100% of the mineral rights of the Nechalacho Project above the 150 m elevation level.

** Vital has entered into an agreement to acquire this licence. The Company is awaiting the issuance of the licence by the Tanzanian Government.

- ENDS-

**Contact:**

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Managing Director

Vital Metals Ltd

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

ABOUT VITAL

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.

Nechalacho Rare Earth Project - Canada

The Nechalacho project is a high grade, light rare earth (bastnaesite) project located at Nechalacho in the Northwest Territories of Canada and has potential for a start-up operation exploiting high-grade, easily accessible near surface mineralisation. The Nechalacho Rare Earth Project hosts within the Upper Zone, a measured, indicated and inferred JORC Resource of **94MT at 1.46% TREO**.

Wigu Hill Project - Tanzania

The Company has signed a project development and option agreement with Montero Mining & Exploration Ltd, to acquire and develop the Wigu Hill Project located near Kisaki in Tanzania. The Wigu Hill project is a light rare earth element deposit and consists of a large carbonatite complex with bastnaesite mineralisation with a NI 43-101 Inferred resource estimate of **3.3Mt at 2.6% LREO5 including 510,000t @ 4.4% LREO5** on 2 of 10 possible drill targets.

Nahouri Gold Project – Burkina Faso

The Nahouri Gold Project (100% Vital) is located in southern Burkina Faso. The Project is made up of three contiguous permits; the Nahouri, Kampala and Zeko exploration permits. The Project is located in highly prospective Birimian Greenstone terrain with 400 sq km of contiguous tenements lying on the trend of the Markoye Fault Corridor.

Aue Project – Germany

The Aue Project (100% Vital) is located in the western Erzgebirge area of the German state of Saxony. The permit, comprising an area of 78 sq km is located in the heart of one of Europe's most famous mining regions surrounded by several world class mineral fields. Historical mining and intensive exploration work carried out between from the 1940s and 1980s showed high prospectivity of the Aue permit area for cobalt, tungsten, tin, uranium and silver mineralisation.

ASX Listing Rule Information**Nechalacho Rare Earth Project**

The Nechalacho Rare Earth Project hosts within the Upper Zone, a measured, indicated and inferred JORC Resource of **94.7MT at 1.46% TREO** at 0.7% Nd2O3 cut-off grade (25.2% NdPr), comprised of a Measured Resource of 286,563T at 2.7% TREO (24.2% NdPr), an Indicated Resource of 1.6MT at 2.4% TREO (24.2% NdPr), and an Inferred Resource of 1.3Mt at 2.2% TREO (24.2% NdPr). The Company originally announced this resource on 13 December 2019 and released an update on 15 April 2020 and confirms that it is not aware of any new information or data that materially affects the information included in the Announcement. All material assumptions and technical parameters disclosed in the Announcement that underpin the estimates continue to apply and have not materially changed.

Wigu Hill Project

The Company has previously disclosed the foreign estimates in compliance with ASX Listing Rule 5.12 in the announcement dated 25 June 2019 titled "Vital to Transform into Rare Earth Oxide Developer" ("Announcement"). The Company is not in



possession of any new information or data relating the foreign estimates that materially impacts on the reliability of the estimates or the Company's ability to verify the foreign estimates in accordance with Appendix 5A (JORC Code). The Company confirms that the supporting information provided in the Announcement continues to apply and has not materially changed.

Investors should note that the Mineral Resource estimate for the Wigu Hill Rare Earth Project is a foreign estimate and is not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify this foreign estimate as a mineral resource in accordance with the JORC Code and it is uncertain that following further exploration or evaluation work that this foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code.

Forward Looking Statements

This release includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production output.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company's business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company's control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this release are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

VITAL METALS LIMITED

ABN

32 112 032 596

Quarter ended ("current quarter")

31 DECEMBER 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(68)	(89)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(468)	(596)
	(e) administration and corporate costs	(444)	(637)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	(4)	(5)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	25	219
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(957)	(1,106)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(529)	(681)
	(d) exploration & evaluation	(1,014)	(1,716)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	45
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,543)	(2,352)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	7,895	8,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	63	338
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(520)	(522)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liabilities)	(19)	(39)
3.10	Net cash from / (used in) financing activities	7,419	7,777

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,157	1,757
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(957)	(1,106)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,543)	(2,352)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,419	7,777

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	6,076	6,076

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	6,026	1,107
5.2 Call deposits	50	50
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,076	1,157

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	106
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(957)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,014)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,971)
8.4	Cash and cash equivalents at quarter end (item 4.6)	6,076
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	6,076
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.1
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
	8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.