

Stock Commentary

Subject: Vital Metals Limited:

STRATEGIC CANADIAN HEAVY RARE EARTH PROJECT ACQUISITION

Heavy Rare Earth Rich Acquisitions Further Strengthen VML's Rare Earth Portfolio & Perfectly Complement Nechalacho's Light Rare Earth Suite

Background

Vital Metals Limited (ASX:VML) announced on 11th August 2021 the acquisition of Quebec Precious Metals Corporations (QPM) interests in two advanced Rare Earth projects named Kipawa and Zeus for C\$8 million (~A\$8.5 million) in cash by a series of staged payments over 4 years.

Vital will acquire QMC's 68% interest in the advanced Kipawa Rare Earth project with the remaining 32% held by joint venture partner Investissement Quebec (IC) and 100% interest in the Zeus exploration project.

Key Takeaway Points

- 1) This is a surprise announcement with which we view extremely favourably as the new assets, rich in Heavy Rare Earths, very much complement VML's Light Rare Earth dominant Nechalacho project.
- 2) This timely, strategic, acquisition opportunity, will essentially enable VML, with its expanded asset portfolio to market *the full suite* of Rare Earth Elements and thus allow the Company to reach out to a much larger prospective customer base as a globally significant Rare Earth producer. Heavy Rare Earth rich projects are hard to come by and Heavy Rare Earth Elements are extremely sought after by the world which currently is alarmingly almost 100% reliant on a Chinese controlled supply.
- 3) The Kipawa deposit is significantly advanced, having had 24,500m of drilling undertaken on it and a Canadian National Instrument 43-101 resource and reserve estimate established (tables below). The Project was also the subject of a Feasibility Study in 2013 which demonstrated a +15 year project life with substantial upside beyond. VML plans to undertake a new study looking into utilising low cost ore sorting technology currently being successfully employed at Nechalacho, with the aim of establishing a new, low cost operation, using indigenous management and workforce.
- 4) We also note with great interest that Kipawa was previously held in joint venture with Toyotsu Rare Earth Canada Inc, a company of the Toyota group. Toyotsu holds a 10% Net Profit Interest on the project providing VML with a fantastic opportunity to establish a strong business relationship with the Toyotsu group, a major Rare Earth end user. VML management point out that Kipawa was the only project in the world the group directly invested in, which to us highlights its global significance.
- 5) We also view the transaction favourably noting the cash only payments are made in a series of tranches over 4 years which will allow VML to fund the acquisition from existing cash reserves and revenue generated from Stage 1 Nechalacho, without the need to return to market to capital raise.

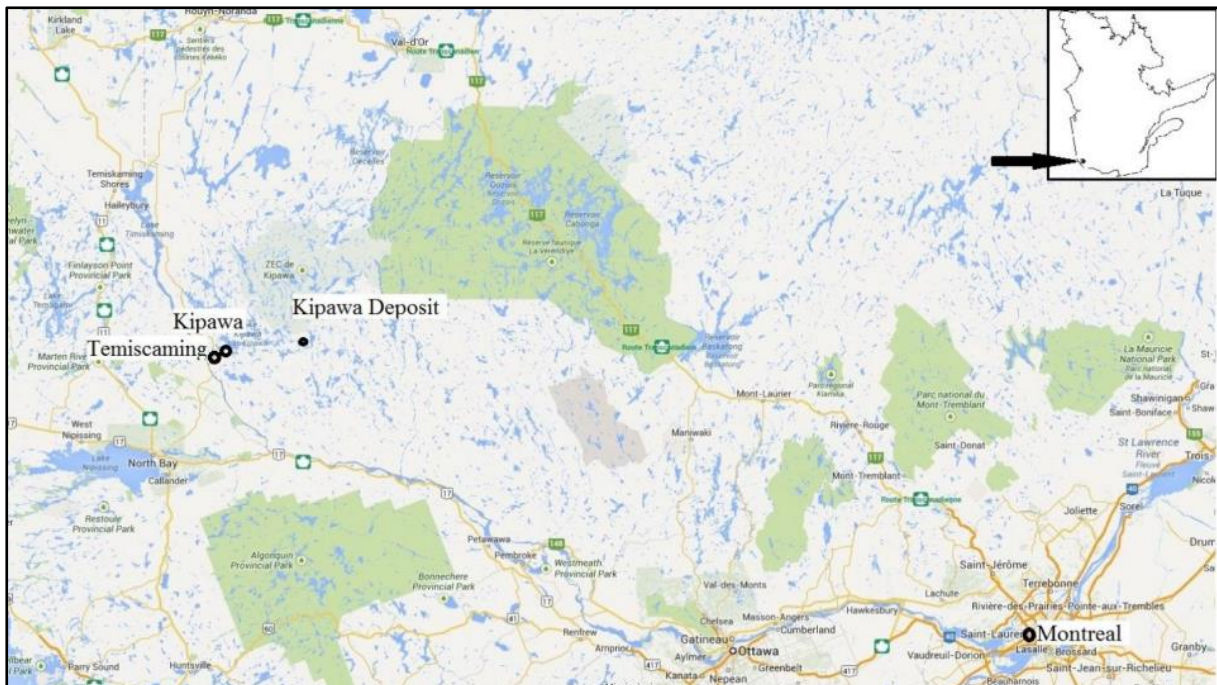
The reader of this Stock Commentary is strongly encouraged to read the Peloton Capital Initiating Coverage research report on VML dated 27th April 2021 for further details and Price Target Recommendation.

Table 1 - Kipawa project Mineral Resources

ZONE	Classification	Tones	TREO (%)	ZrO ₂
Eudyalite	Measured	6,024,000	0.529	0.959
	Indicated	7,790,000	0.387	0.842
	Inferred	1,678,000	0.312	0.710
	Total	15,492,000	0.434	0.873
Mosandrite	Measured	3,135,000	0.396	1.019
	Indicated	2,790,000	0.379	1.029
	Inferred	409,000	0.431	0.940
	Total	6,334,000	0.391	1.018
Britholite	Measured	1,278,000	0.309	0.940
	Indicated	2,725,000	0.284	0.957
	Inferred	1,088,000	0.264	0.915
	Total	5,091,000	0.286	0.944

Table 2 - Kipawa project Mineral Reserve

Classification	Tones	TREO (%)
Proven	10,218,867	0.440
Probable	9,550,047	0.379
Total	19,768,914	0.411



Above: Map showing location of the Kipawa Deposit in Quebec.

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