

Beating the path down to become a “Vital” rare earths producer in 2021

Vital Metals Ltd. (ASX: VML) targeting to be the largest independent supplier of clean mixed rare earth feedstock outside of China. That’s a lofty goal, but absolutely necessary because China still counts for about 80% of the world’s rare earths production while only sourcing about 30% of their rare earths domestically. While the initial impact from Vital’s rare earths production may be small in the future supply-chain for rare earths, they are an important part of the global movement for the diversification of rare earths production and are an early entrant into a new supply chain. This has already been recognized with the contract that the company announced in late December 2020 for a binding term sheet signed with REEtec AS, (a Norwegian rare earths separation company) for supply of 1,000 tonnes rare earths oxide (ex-Cerium) per year for a period of 5 years. The supply can be increased up to 5,000 tonnes per year for a period of 10 years.

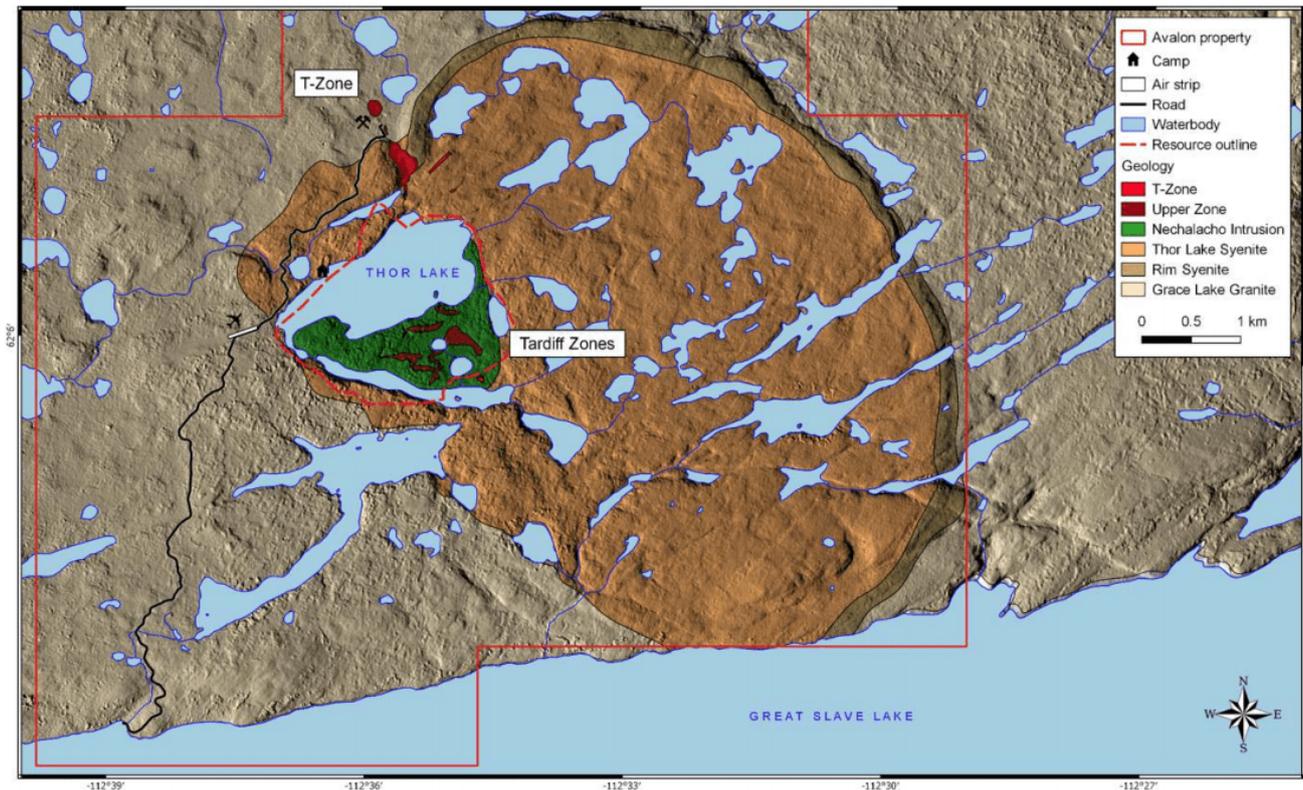
Vital Metals is on track to produce rare earth oxide in 2021.

That is the first thing you will read when you go to the company website and it is real and it is happening. The production will come from the company’s Canadian Nechalacho project in the Northwest Territories on Thor Lake, close to Yellowknife and near the edge of Great Slave Lake.

In fact, preparations are currently underway at the Nechalachco rare earths project to commence the production of rare earth oxide sometime around May 2021. Everything is on track to meet this production schedule as a result of years of previous work on the project (and previous owner’s

expenditures of more than \$100 million) and the design of the project parameters ensure early cash flow (and low capital costs) of a production stream that is highly desirable to end users.

The company has two shallow zones on the Nechalacho asset – the T Zone and the Tardiff Zone(s) as shown in the map below:



Vital is employing a very smart strategy – instead of developing the whole project all at once, they are going to first develop the smaller T Zone which will generate cash flow for further exploration and future development of the Tardiff Zones. Their strategy to develop the first mine in northern Canada requires less than A\$20 million total capital cost for this first project (North-T, 100% interest), some of which can also be funded by future generated cash flow.

The company has been working towards 2021 production on the T Zone. Last year and into this year, the mining area saw site clearing above the planned pit, dewatering and geotechnical work to confirm the pit design and infrastructure construction

for mining and production. Construction of the ice road to bring in the drilling rig and mining equipment has also commenced. We anticipate news in the near-term to confirm the timing of the arrival of mining fleet and delivery of the ore sorter at site. As reported today, at December 31, 2020 the company had approximately \$6.1 million of cash and cash equivalents, so they should be well-funded through first production from Nechalacho.

Looking ahead, recall that on September 22, 2020, Vital announced a binding term sheet for the construction and operation of a rare earth extraction plant to produce a mixed rare earth carbonate product. The plant will be located adjacent to the Saskatchewan Research Council's (SRC) planned separation plant which will be able to convert rare earth carbonate mixes to commercial grade rare earth oxides. Vital's plant is expected to be operational in Q3-2021 and will use feedstock from Nechalachco— a second "customer" for the mining output. Most people do not know that the SRC has almost a decade of expertise in rare earths (associated with uranium mining in Saskatchewan) and recently announced the construction of a rare earth processing facility in Saskatchewan, the first of its kind in Canada. The SRC facility is expected to be operational in late 2022.

The team at Vital are world experts in the global rare earth element arena including all necessary elements of mining, processing, geology and marketing and are recognized for this expertise. The devil really is in the details and Vital's team has a cost and time effective strategy to deliver early production and cash flow. Remote locations require extensive planning and timing is everything as mining and processing equipment can only be delivered and setup during certain weather windows. Things can go wrong, but it appears that most contingencies have been accounted for. This is a key success factor

The global movement to diversification away from China as the

global source of rare earth elements has been underway for a number of years. The world always knew that as technology developed, the rare earths would become more and more important, but it has become abundantly apparent that the development of electric vehicles in particular demands more rare earths and from more secure and friendly sources. Vital Minerals' aim is to become a global player in the production of rare earths. Their expertise, projects and potential have put them squarely on this path and they will become a producer in 2021.