A Rocky Path Ahead for Vital Metals

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A news release issued earlier today from Vital Metals Limited (ASX: VML) cast a shadow over the company's ambitious rare earths mining projects. While the company has showcased a robust profile of its operations, particularly at the Nechalacho site in Canada's Northwest Territories, a series of strategic and economic challenges have now raised concerns over its viability in the rare earths market.

A Promising Start

Vital Metals commenced its operations at Nechalacho in 2021, quickly positioning itself as Canada's pioneering rare earths miner and the second in North America. With a significant resource of 94.7 Mt at Nechalacho, it looked like the company was on a trajectory to substantial growth.

The Nechalacho Project particularly seemed to be a gold mine (or, more aptly, a rare earth mine), with the North T Zone hosting a resource touted as one of the world's highest-grade rare earth deposits. Moreover, the company had forged a notable offtake agreement with Norway's REEtec, promising to deliver significant quantities of NdPr over the next few years.

The Saskatoon Setback

However, the recent news release paints a different picture. Plans to defer the completion of certain circuits in the Saskatoon Facility until H2 2024 pointed to underlying concerns. Despite intentions to produce an intermediate rare earth oxide product from Nechalacho, the absence of economically viable sales led to reevaluation.

By April 2023, a strategic review indicated that the company's original plan for the North T pit and the Saskatoon Facility wasn't economically viable. Efforts to renegotiate terms with REEtec, given unexpected economic and technical changes, haven't borne fruit. This has led to the issuance of a Notice of Termination under the Offtake Agreement, with termination set for late December 2023.

Legal and Financial Implications

REEtec's stance complicates matters. They dispute Vital's reasons for the Notice of Termination, the news release states: "REEtec has indicated that it does not agree with Vital's assessment that it has suffered unfair hardship, nor does it consider the Notice of Termination to be valid. REEtec has therefore reserved its rights in that regard, which may include arbitration proceedings."

Additionally, VMCL, a Vital Metals subsidiary, has now been pushed into bankruptcy. This decision seems to be a move to shield the company's mineral assets in the NWT and continue its development. While this bankruptcy affects the Saskatoon operation, Vital's other ventures, like Cheetah Resources Corporation, remain untouched.

Looking Forward

Despite these setbacks, Vital remains committed to its vision, as Interim Chairman Richard Crookes expressed in an interview on FNN. The focus now shifts to the Tardiff Project, a significant rare earth deposit in a favorable jurisdiction.

Financially, while the company's immediate status will be clearer with its 2023 Annual Report, discussions are ongoing to secure capital for the next 12-18 months of operations.

Conclusion

Vital Metals' journey showcases the complex interplay of strategic, economic, and legal factors in the world of rare earth mining, many critical minerals experts cite a shortage of simple economics in that it is just too expensive to compete without government assistance. Jack Lifton, Co-Chairman of the Critical Minerals Institute, remarked on Vital Metals' recent news release concerning their Saskatoon announcement: "The decision by Vital Metals to relinquish its Canadian subsidiary showcases the challenges faced by junior miners in Canada and globally. The often underestimated costs and rigorous standards required for transitioning from mining to becoming a reliable supplier to major manufacturing industries is profound. It's not just about excavating minerals; it's about understanding the intricate supply chain, meeting stringent quality benchmarks, and most importantly, being financially sound to fulfill delivery promises. Many junior miners assume a letter of intent or a memorandum of understanding is their ticket to success, but in reality, without strategic marketing and a deep understanding of the industry, they remain ill-prepared. To truly succeed, companies must grasp that it's not merely about 'digging it up' but about ensuring consistent quality, reliability, and financial stability."

Jack Lifton with Geoff Atkins

on Vital Metals' expected 2021 rare earths production start at Nechalacho

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The Technology Metals Show host Jack Lifton talks with Geoff Atkins, Managing Director of Vital Metals Limited (ASX: VML), about Vital Metals' planned production at its Nechalacho rare earths project in Canada. "In terms of the time frame, we are currently working on a schedule to commence production next year," Geoff said.

In the interview Geoff provided an update on Vital Metal's offtake agreements and business model. Vital Metals has a management team with experience in building and operating rare earth plants. He also explained what the company is doing to ensure reduced capital cost and time to market.

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Geoff Atkins on Vital Metals’ 2021 rare earths production and new extraction facility

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InvestorIntel’s Tracy Weslosky speaks with Geoff Atkins, Managing Director of Vital Metals Limited (ASX: VML), about Vital Metals’ Nechalacho rare earths project in Canada.

“Nechalacho is on track to be in production next year,” Geoff said. “We are constructing an extraction facility with SRC [Saskatchewan Research Council] and that will take our product from Nechalacho and produce a mixed rare earth carbonate product.”

Geoff went on to provide an update on Vital Metals’ management team. “Our entire team has been involved in Lynas and some of them have also been involved in Northern Minerals’ Browns Range Project,” he said. “We have 10-15 years’ experience in building and operating rare earth plants.”

Commenting on the competitive advantages of Vital Metals Geoff said, “The bottom line is about being low cost. From a capital cost perspective, we are looking at under AU$20 million to build this plant. The second is near term operation. We are going to be operation within 12 months.”

To watch the complete interview, click here

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Vital Metals new Rare Earths Extraction Plant planned adjacent to SRC's Separation Plant

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Vital Metals on track to become a rare earths carbonate producer in 2021

In news out today rare earths carbonate developer Vital Metals Limited (ASX: VML) ('Vital'), through its 100% owned subsidiary Cheetah Resources, has signed a binding Term Sheet with the Saskatchewan Research Council ('SRC') to negotiate definitive agreements for the construction and operation of a Rare Earth Extraction Plant to produce a mixed rare earth carbonate product. The capital cost estimate of the Rare Earth Extraction Plant is A$5.25m.

The Rare Earth Extraction Plant is planned to be located adjacent to a recently announced Rare Earth Separation Plant in Saskatchewan, Canada, and could provide a rare earth carbonate feedstock to produce a commercial grade separated rare earth oxide. The proximity makes it natural for SRC's Separation Plant to be a potential customer of Vital/Cheetah's mixed rare earth carbonate product from their planned Extraction Plant.

Vital Metals' Managing Director Geoff Atkins comments

“The signing of this Term Sheet with SRC marks an important milestone for Vital and the development of the Nechalacho Project,” said Vital Metals’ Managing Director Geoff Atkins. “Whilst the Definitive Agreements continue to be finalised in line with the Term Sheet, the Company is excited about the prospect of the construction and operation of a rare earth demonstration extraction plant, as well as it being co-located with SRC’s recently announced rare earth separation plant. Being the only rare earth project in Canada with near term production capability, co-located with Canada’s only Separation Facility, provides Vital the opportunity to be a cornerstone of the North America Critical Minerals Strategy.”

Vital Metals low CapEx strategy to become a rare earths carbonate producer in Canada

Traditionally rare earth miners would look to build a huge plant to make a rare earths end product, however Vital Metals has a different strategy to reach production quicker and with a much lower CapEx, as well as supporting a much needed **non-China rare earths supply chain**.

Vital is an explorer and developer with highly prospective mineral projects, focusing on their world-class rare earth Nechalacho Project in Canada. **Their strategy is to be the largest independent supplier of clean mixed rare earth feedstock outside of China**, with a goal to produce a minimum 5,000 tonnes of contained rare earth oxide (REO) by 2025. A key component to the plan is a much smaller scale plant with an extremely low CapEx of just A$20m to produce rare earth carbonate. Subject to the various hurdles such as funding, Vital Metals hopes to begin production at their Nechalacho Project in 2021. Once in production, Vital’s strategy is to generate low cost near-term cash flow to fund the development of large-scale operations.

Vital Metals Nechalacho Project and Stage 1 strategy

Source

Vital owns two world class rare earth projects – Nechalacho in Canada with ~95mt at 1.46% TREO, and Wigu Hill in Tanzania with 3.3mt at 2.6% TREO.

The Nechalacho Project (Canada)

The Nechalacho Project is a rare earth project located in Northwest Territories, Canada. The current resource estimate is 94.7mt at 1.46% REO (measured, indicated and inferred). The North T Zone at Nechalacho hosts a high-grade resource of 101,000 tonnes at 9.01% LREO (2.2% NdPr). Vital is targeting production of rare earth oxide in 2021 with early production from the North T starter pit.

More than $120 million has been spent by previous owners on drilling, permitting and project development at Nechalacho, which includes a 40-person camp and airstrip. The Project is **fully permitted for a 600kt mining and ore sorting operation** and is 100km from Yellowknife. The local infrastructure is well established with access to the Canadian National Railway at Hay River. Access to the site is via barge in summer and ice road in winter.

The metallurgy is a simple process involving a 35%+ initial beneficiation via ore sorting and 97% recovery into solution via hydrochloric acid using an industry standard process.

Vital has already completed detailed engineering for the ore sorting plant, defined capital and operating costs, and begun site preparation works. Off-take negotiations are reported to be progressing well with a number of non-China buyers.

Vital Metals next steps and map showing the Tardiff Zones

Source: company presentation

Management is highly experienced. For example, Managing Director Geoff Atkins has 25 years of project and corporate development experience, including four years as Corporate Planning Manager at Lynas Corporation where he oversaw the strategic planning process and the development of the Mt Weld Concentration Plant and Lynas Advance Materials Plant in Malaysia.

Today’s news from Vital suggests that, assuming progress continues successfully, the SRC will support Vital in its construction and operation of their Nechalacho Project. Subject to execution of definitive agreements, processing operations are planned to start in the third quarter of 2021.

The current market cap of Vital Metals is A$52m.