

## VITAL METALS EXECUTES DEFINITIVE OFFTAKE AGREEMENT WITH REETEC

### HIGHLIGHTS

- **Definitive Offtake Agreement Signed with REEtec for the supply of 1,000t REO (ex-Cerium)/yr. for a period of 5 years**
- **The agreement ensures Vital and REEtec will work together to minimise the cost of production of separated rare earth oxides**
- **Allows both parties to benefit from market developments through a profit-sharing arrangement**
- **Commencement of offtake will contribute towards a robust and sustainable supply chain for rare earths to wind turbines, electric vehicles, consumer electronics and a range of other products.**

Vital Metals Limited (ASX: **VML**) (“**Vital Metals**” or “**the Company**”) is pleased to announce that it has entered into a definitive Offtake Agreement with REEtec AS (“**REEtec**”), the material terms of which were announced on 21 December 2020.

Vital Metal’s Managing Director, Geoff Atkins commented:

*“The signing of the definitive Offtake Agreement is a major milestone for Vital and our commitment to provide a secure supply of rare earth feedstock to the rare earth supply chain. The signing of this Agreement will enable REEtec and Vital to work together to supply separated rare earth oxides, which are competitive to products produced anywhere else in the world into the electric vehicle and wind turbine markets.”*

REEtec’s CEO, Sigve Sporstøl commented:

*“Through this agreement with Vital Metals, REEtec is taking further steps to secure access to rare earth feedstock and thereby strengthening our ability to offer competitively priced magnetic materials to our customers”*

### Definitive Offtake Agreement

Under the definitive Offtake Agreement Vital Metals will provide REEtec mixed rare earth carbonate product containing an annual volume of 1,000 REO (ex-Cerium) over 5 years. Both parties have an option to increase this offtake volume by up to 5,000 tonnes REO per annum over 10 years (subject to a corresponding supply agreement).

The rights and obligations under the definitive Offtake Agreement 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 Vital) and completion of the agreed stages as set out in the announcement dated 21 December 2020.

### Rare Earth Distribution and Price

As outline above, offtake 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. The Nechalacho North T rare earth distribution as determined under the Company's 2012 JORC Report is as shown in Table 1 below. Almost 45% of the volume of rare earths consists of Neodymium/Praseodymium (together Didymium), which are key components of permanent magnets and constitute almost 90% of the price of the total product.

Element	Distribution (%)	Tonnes/yr under definitive Offtake Agreement	Market Price (as at Jan 27, 2021) US\$/kg <sup>1</sup>	Total Price (US\$'000s) <sup>2</sup>
La <sub>2</sub> O <sub>3</sub>	47.4%	474	\$1.50	\$711
Pr <sub>6</sub> O <sub>11</sub>	10.4%	104	\$63.40	\$6,578
Nd <sub>2</sub> O <sub>3</sub>	34.3%	343	\$88.61	\$30,422
Sm <sub>2</sub> O <sub>3</sub>	3.5%	35	\$1.77	\$63
Eu <sub>2</sub> O <sub>3</sub>	0.4%	3.8	\$32.48	\$122
Gd <sub>2</sub> O <sub>3</sub>	1.5%	15	\$30.54	\$445
Tb <sub>4</sub> O <sub>7</sub>	0.2%	1.8	\$1,356.99	\$2,477
Dy <sub>2</sub> O <sub>3</sub>	0.5%	4.9	\$340.21	\$1,678
Y <sub>2</sub> O <sub>3</sub>	1.4%	14	\$4.10	\$56
<b>Total</b>	<b>100%</b>	<b>1,000</b>	<b>\$42.50</b>	<b>\$42,495</b>

**Table 1: Separated Rare Earth Oxides at Current Prices**

<sup>1</sup> Rare earth prices sourced from Shanghai Metals Market ([www.metal.com](http://www.metal.com)) as at 27<sup>th</sup> January 2021

<sup>2</sup> Total price for each individual element if sold in the quantities listed on the date specified. Sale figures reflect raw pricing only and do not take into account the Company's cost of production or margin share.



The agreed pricing structure will allow both Vital and REEtec to share market developments and risks, thus incentivising each party to minimise the total production costs of separated rare earth oxide products. This provides the benefits of a fully integrated supply chain whilst maintaining the benefits of focusing on core skills and specialisations.

### **Diversification of Rare Earths Markets**

The diversification of critical mineral supply chains has been identified as a matter of significant importance to private companies and governments over the last 12 months. This has resulted in considerable efforts amongst politicians, including, but not limited to, North American, Australian, Japanese and European governments to investigate ways to re-establish rare earth supply chains within their jurisdictions. Included amongst these efforts, the European Commission has vowed to create a raw-materials alliance by the end of 2021 in a bid to “increase EU resilience in the rare earth and magnet value chains” because of their importance relating to renewable energy, energy efficiency and space.

“We cannot afford to rely entirely on third countries”, European Industry Commissioner Thierry Breton said in a statement at a press conference during September 2020. “By diversifying the supply chain from third countries and developing the EU’s own capacity for extraction, processing, recycling, refining and separation of rare earths, we can become more resilient and sustainable.”

Refer <https://www.bloomberg.com/news/articles/2020-09-03/europe-pledges-push-to-cut-reliance-on-imported-raw-materials?sref=AmZ4Ft0q>

Europe has long maintained the capability to produce rare earth products, however, the lack of feedstock security has hindered efforts to expand this industry. The agreement between VML and REEtec will help bring competitively priced, sustainable, rare earth products to market that will be long-term catalysts for further expansion of the usage of these materials in technologies that will help make a positive change in the world.

**- ENDS-**

### **Contact:**

Mr Geoff Atkins  
Managing Director  
Vital Metals Limited  
Phone: +61 2 8823 3100  
Email: [vital@vitalmetals.com.au](mailto:vital@vitalmetals.com.au)

*This announcement has been authorised for release by the Managing Director of Vital Metals.*

### **Compliance Statement**

This announcement contains information relating to estimates of mineral resources extracted from ASX market announcements reported previously in accordance with JORC (2012) and published on the ASX platform on 13 December 2019, 19 February 2020 and 15 April 2020. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed.