

VITAL'S OFFTAKE PARTNER REETEC SIGNS PURCHASE AGREEMENT WITH SCHAEFFLER

HIGHLIGHTS

- Vital's offtake partner Norway-based REEtec AS has signed a purchase agreement to supply rare metals for magnets used in electric motors to German auto parts supplier Schaeffler
- Schaeffler is a world leader in the supply of electric drivetrains to hybrid and electric vehicles
- The agreement marks the first time in the rare earth industry that a binding agreement has been signed which encapsulates the entire rare earth supply chain from raw material to electric motors
- Vital has an agreement to sell REEtec 2,000 tonnes of rare earth carbonate, containing 750t NdPr, a year from 2023 which includes a share of product margin
- Vital will commence producing rare earth carbonate from its Saskatoon extraction facility in June 2022, produced from material mined at its Nechalacho rare earth project in Canada
- REEtec's agreement with Schaeffler demonstrates electric vehicle makers' demand for rare earth products from secure and transparent supply chains

Canada's first rare earths producer **Vital Metals Limited** (ASX: **VML** | OTCQB: **VTMXF**) ("**Vital**", "**Vital Metals**" or "**the Company**") updates the market on its offtake agreement with REEtec AS ("REEtec") and clarifies the effect of the news article released yesterday by Reuters concerning REEtec's supply agreement with Frankfurt-listed German auto parts supplier Schaeffler AG ("Schaeffler") (FRA: SHA).

Vital and REEtec signed a definitive offtake agreement in February 2021¹ and amended the terms in October 2021², with Vital to sell REEtec a rare earth carbonate product containing a minimum of 750t Neodymium/Praseodymium (NdPr), contained within 2,000t/year total rare earth oxides (TREO).

The Company's offtake arrangement with REEtec includes both parties' exposure to market risk with the parties agreeing to a pricing mechanism which secures each party a guaranteed minimum payment, equal to their cost of production, plus a share of margin. REEtec's arrangement with Schaeffler reduces the market risk and secures revenue for Vital from a share of the margin. The arrangement also confirms viability for REEtec as an offtake partner, with a condition precedent of the offtake agreement being commissioning of REEtec's commercial plant. REEtec's agreement with Schaeffler will enable it to build a commercial separation facility.

¹ See Vital Metals ASX Announcement 2 February 2021

² See Vital Metals ASX Announcement 18 October 2021

Schaeffler has agreed a five-year deal with REEtec³, which is based in Norway, to supply rare earth oxides from 2024. The agreement is the first reported deal by a European auto sector supplier or automaker to source rare earths within the region as the demand for electric vehicle (EV) components continues to grow.

This represents a total of 75% of Vital's Stage 1 operation at its Saskatoon rare earths extraction plant, which is due to start rare earth carbonate production in June 2022. Vital is currently completing a Stage 2 feasibility study on expanded production scenarios to capture the expected increase in demand from European and US car manufacturers and other customers as the EV revolution continues to increase.

Vital Metals Managing Director Geoff Atkins said *"REEtec's agreement with Schaeffler has validated the quality of Vital's product and demonstrated the need for EV makers and parts suppliers to have access to a transparent rare earth supply chain that a company such as Vital could provide.*

"We have always been confident that our product would be in demand and this agreement secured by REEtec demonstrates the appetite for our product in Europe. The agreement between REEtec and Schaeffler is the first of its kind but we expect many similar announcements to follow.

As Canada's first rare earths producer, we can provide a rare earth feedstock that can be traced from its source and has a strong focus on sustainable operation. With the commencement of rare earth carbonate production at Saskatoon very shortly, this is an exciting development and we look forward to working with REEtec through our agreement. Rare earth oxides are at historically high prices so this is an opportune time to be commencing down stream carbonate production"



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³ See <https://www.reuters.com/business/autos-transportation/ev-parts-maker-schaeffler-signs-first-kind-european-rare-earth-deal-2022-04-19/>



Vital achieved customer acceptance of its rare earth product from REEtec in May 2021 in accordance with the Definitive Offtake Agreement. REEtec subsequently decided to use Vital's product as principal feedstock for its rare earth separation facility, which called for a 50% increase in product volume. In addition, the contract volumes will now be defined by quantities of NdPr which Vital will supply to REEtec under an amended agreement.

Reflecting the planned ramp-up schedule of Vital's Saskatoon plant over the first 12 months of operation, Vital will deliver to REEtec an initial 187.5t NdPr (contained within approximately 500t TREO) by October 2023 with the remaining product to be delivered at regular intervals over the following five years.

The amended agreement extends Vital's product sales to REEtec to 2028 and provides the option to further expand operations during an additional 10-year long-term supply agreement to provide up to 2,500t NdPr per annum contained within ~6,800 tonnes TREO.

About Schaeffler AG

As a leading global supplier to the automotive and industrial sectors, the Schaeffler Group has been driving forward groundbreaking inventions and developments in the fields of motion and mobility for over 75 years. With innovative technologies, products, and services for electric mobility, CO₂ efficient drives, Industry 4.0, digitalization, and renewable energies, the company is a reliable partner for making motion and mobility more efficient, intelligent, and sustainable. The technology company manufactures high-precision components and systems for powertrain and chassis applications as well as rolling and plain bearing solutions for a large number of industrial applications. The Schaeffler Group generated sales of approximately EUR 13.9 billion in 2021. With around 83,000 employees, Schaeffler is one of the world's largest family companies. With more than 1,800 patent applications in 2021, Schaeffler is Germany's third most innovative company according to the DPMA (German Patent and Trademark Office).

<https://www.schaeffler.com/en/company/company.jsp>

About REEtec AS

REEtec has developed a new, unique process for the separation of high purity rare earth elements. Its patent-pending technology has been proven through successful operation of an industrial-scale demonstration plant at the Herøya Industrial Park near Porsgrunn, Norway. The process combines high efficiency and a competitive cost structure with best-in-class environmental friendliness.

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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 Canada's first rare earths producer following commencement of production at its Nechalacho rare earths project in Canada in June 2021. It holds a portfolio of rare earths, technology metals and gold projects located in Canada, Africa and Germany.

Nechalacho Rare Earth Project - Canada

The Nechalacho project is located at Nechalacho in the Northwest Territories of Canada and has potential for a start-up operation exploiting high-grade, easily accessible near surface mineralization before expanding into a large scale operation. The Nechalacho Rare Earth Project hosts within the Upper Zone, a JORC Resource of **94.7MT at 1.46% TREO** comprised of a Measured Resource of 2.9MT at 1.47% TREO, an Indicated Resource of 14.7MT at 1.5% TREO, and an Inferred Resource of 77.1MT at 1.46% TREO.⁴

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.

⁴ Refer ASX Announcements dated 13 December 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in that market announcement continue to apply and have not materially changed.