



ASX / Media Announcement

29 September 2023

## Vital completes Saskatoon Processing Facility Strategic Review

Vital Metals Limited (ASX: VML | OTCQB: VTMXF) (“Vital”, “Vital Metals” or “the Company”) provides an update on the strategic review process initiated in April 2023 to investigate potential pathways for the long-term future and viability of its rare earth processing facility located in Saskatoon, Saskatchewan, Canada (the “Saskatoon Facility”) (see the Company’s ASX releases dated 22 December 2022 and 19 April 2023), and the Company’s current financial outlook.

### Background and Strategic Review Update

Construction of Vital’s Saskatoon Facility, designed to process rare earth concentrates produced from its North T demonstration mine at the Nechalacho Project in Canada’s Northwest Territories (“NWT”) commenced in 2021.

On 22 December 2022, Vital announced plans to defer completion of the Saskatoon Facility’s rare earth hydrometallurgical leaching, purification and rare earth precipitation circuits until H2 2024 to delay the associated cost to complete until 2024. At this time, Vital elected instead to complete the calcine circuit by Q3 2023 to enable it to process materials from Nechalacho to produce an intermediate rare earth oxide product to be sold to third parties, prior to commencing deliveries of final rare earth carbonate under the offtake agreement (the “**Offtake Agreement**”) between the Company and Norway’s REEtec AS (“**REEtec**”) (see ASX releases dated 2 February 2021 and 18 October 2021). Vital was, however, unable to secure sales of the intermediate product on commercially satisfactory terms and the plan to produce an intermediate product was found not to be economic.

Accordingly, in April 2023, Vital initiated a strategic review following an assessment of the economic viability of mining and beneficiating ore from the North T pit. At the time, it was concluded that operating North T and the Saskatoon Facility as originally envisaged was not economically viable under the existing business model. Construction at Saskatoon was halted in April to preserve cash and to allow Vital time to seek alternative funding sources and strategic options to potentially build a sustainable business model for the Saskatoon business (see ASX release dated 19 April 2023).

As part of the strategic review the Company evaluated alternative business strategies for its wholly owned subsidiary, Vital Metals Canada Limited (“**VMCL**”), the owner of the Saskatoon Facility, to deliver a sustainable business model for the Saskatoon business. Contemporaneously with its strategic review, the Company engaged in dialogue with REEtec to amend the Offtake Agreement to address changes in key economic and technical conditions that are beyond the control of Vital and which would cause unfair



hardship to Vital if the Offtake Agreement continued in force on its existing terms, as well as discussing other alternative options with REEtec.

While Vital's preference has always been to complete the Saskatoon Facility as planned and renegotiate its arrangements with REEtec to account for these adverse changes in conditions, the Company also pursued a contingency plan in the event negotiations with REEtec were not successful. Accordingly, Vital also investigated the potential repurposing of the Saskatoon Facility to enable it to accept alternative feedstock on the basis that the Saskatoon Facility is well located with respect to transport infrastructure, and its potential for intermediate processing of rare earth material could fulfill an important role within the expanding North American market. While preliminary discussions with various third parties were positive, the Company was unable to conclude any agreements for an alternative solution.

To date, no resolution has been reached with REEtec on the proposed terms of an amended Offtake Agreement, nor has REEtec agreed to any other alternative. As a result of the failure to reach a negotiated solution, Vital issued a Notice of Termination under the Offtake Agreement, which was delivered to REEtec on 28 September 2023 (Australian time). The Offtake Agreement will terminate on 26 December 2023 — the date that is 90 days following the delivery of the Notice of Termination.

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.

To protect the significant value of the Company's mineral tenements in the NWT and to provide the best possible chance of advancing to successful mining and processing operations at the Tardiff Project, the Board has assigned VMCL into bankruptcy under the *Bankruptcy and Insolvency Act* (Canada) and has appointed MNP Saskatoon as trustee in bankruptcy of VMCL. As a result of the bankruptcy, all the property, assets and undertaking of VMCL have vested in the trustee in bankruptcy, who will liquidate the assets and distribute the proceeds to proven creditors of VMCL in accordance with the applicable priorities. Information and documents relating to the VMCL bankruptcy will be available from the Trustee in due course at <https://mnpdebt.ca/en/corporate/corporate-engagements/vital-metals>

Vital's other Canadian subsidiary, Cheetah Resources Corporation, the owner of the mineral properties in NWT, remains unaffected by this process. Vital intends to continue funding the development of these assets towards the Company's goal of rare earth production at the Tardiff Project.

**Vital's Interim Chairman Richard Crookes** stated "Vital has endeavored to work with all parties to find an acceptable and workable path forward and has been very focused on delivering an outcome for the establishment of a viable intermediate processing business in Saskatoon on alternate terms. Whilst we are disappointed with the situation at Saskatoon, Vital remains focused on creating significant value for shareholders by advancing the Tardiff Project, a recognized globally significant rare earths deposits in a very favorable jurisdiction."



## **Financial Update**

Vital has reported its year-end financial position in the recent June Quarterly Report and will publish its 2023 Annual Report in the coming week. The Company continues to fund its activities in Canada and is in discussions with several parties to raise capital. The Company's securities will remain in voluntary suspension pending an announcement with respect to funding the next 12-18 months of activities.

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*This announcement has been authorized for release by the Board of Vital Metals.*

## **ABOUT VITAL METALS**

Vital Metals Limited (ASX: VML) is developing the large Nechalacho Rare Earth Project in Canada's Northwest Territories. Nechalacho has the potential to underpin a significant rare earths supply chain for North America and Europe with responsibly sourced critical minerals for the green economy transformation.

### **Nechalacho Rare Earth Project - Canada**

The Nechalacho project is located at Nechalacho in the Northwest Territories of Canada and has potential to develop into a significant large-scale supplier of critical electric motor magnet minerals.