

VITAL SECURES CORNERSTONE INVESTMENT

Highlights:

- Vital Metals Limited (**Vital** or **Company**) has entered into a subscription agreement (**Subscription Agreement**) with Shenghe Resources (Singapore) Pte Ltd, a wholly-owned subsidiary of Shenghe Resources Holding Co., Ltd. (**Shenghe**), a global leader in the rare earth sector with experience across the entire value chain. Subject to the satisfaction of conditions precedent, Shenghe has agreed to subscribe for:
 - 9.99% of the issued share capital in Vital (post-deal) at a subscription price of A\$0.01 per share to raise a minimum of approximately A\$5.9 million (**Tranche 1 Subscription**); and
 - at its election and subject to Vital shareholder approval, up to a further approximately 592 million shares (equivalent to an additional 8.2% of the issued share capital in Vital following completion of Tranche 1 and 2 Subscription) at a subscription price of A\$0.015 per share which, if exercised, would raise approximately A\$8.9 million (**Tranche 2 Subscription**¹).
- Tranche 1 Subscription shares to be issued utilising the Company's available placement capacity under ASX Listing Rules 7.1 and 7.1A to provide immediate funding. The Tranche 2 Subscription shares will be issued subject to Shenghe exercising its option to complete the Tranche 2 Subscription and the Company's shareholders approving the issuance of shares under the Tranche 2 Subscription¹.
- Shenghe and Vital have agreed, subject to grant of a mining licence to Vital (or its controlled entity) and satisfaction of other conditions precedent, that Shenghe will acquire an initial 50%² interest in the Wigu Hill Project, Tanzania.
 - Shenghe will acquire 50% of the issued share capital of Kisaki Mining Ltd, which is the applicant for the mining licence, thereby acquiring an indirect 50% interest in the Wigu Hill Project.
 - Consideration for initial 50% interest equal to 50% of the total costs, expenses and liabilities incurred by or on behalf of Vital in relation to the Wigu Hill Project (capped at US\$1.5 million).
 - Shenghe can earn up to a 75%² ownership interest upon sole funding completion of a preliminary feasibility study and definitive feasibility study on the Wigu Hill Project.
- Tranche 1 Subscription to provide sufficient funding for Vital to:
 - Repay existing debt and creditors (approximately A\$3.0 million);
 - Progress development of the Company's Nechalacho Project, including completion of a scoping study expected to be delivered Q1 2024 (approximately A\$1.5 million); and
 - General working capital (approximately A\$1.4 million).
- Vital to explore the development of an integrated North American supply chain for future rare earth production at Nechalacho, Canada.

¹ Shenghe may elect to subscribe for the Tranche 2 Subscription shares at any time in the 12 months after completion of the Tranche 1 Subscription.

² Subject to grant of the Mining Licence, the Government of Tanzania will acquire a free-carried, 16% ownership interest in the Wigu Hill Project, as is customary practice upon grant of an SML in Tanzania. The interest which may be acquired by Shenghe does not include the Tanzanian Government's interest.



Vital Metals Limited (ASX: **VML**) (“**Vital**”, “**Vital Metals**” or “the **Company**”) is pleased to announce Shenghe’s cornerstone investment that will allow the Company to establish a new leadership team, and to progress development of the large-scale Tardiff deposit at its Nechalacho Project in Northwest Territories, Canada. In addition the Company is partnering with Shenghe to accelerate studies on the Wigu Hill Project in Tanzania which will concurrently provide a second rare earth development project.

Vital Interim Chairman Richard Crookes said:

“We are pleased to secure this partnership with Shenghe via this strategic investment that will allow us to progress our development plans for the world-class Tardiff rare earth deposit at Nechalacho with a refreshed management team that is focused on this goal. In addition, we have secured a partner in the Wigu Hill Project in Tanzania which also has potential to be an important rare earth deposit with further exploration and development.”

The CEO of Shenghe, Wang Xiaohui, commented:

“Shenghe recognises the potential of the Tardiff deposit to be a world-class large-scale and long life rare earths project, and is excited by the work completed to date by Vital Metals to progress the asset. Our investment also allows Shenghe to gain exposure to the Wigu Hill Project, which is also a promising but earlier stage rare earths deposit. We look forward to working collaboratively with the Vital team to assist with development of these important assets.”

Overview of Shenghe

Shenghe Resources Holding Co Ltd (Shenghe’s parent company) is a large Chinese rare earth group with operations spanning mining and beneficiation, refining and separation, alloy and metals production, and marketing. Shenghe Resources has an extensive financial investment background and significant balance sheet strength. Its international interests include an approximate 7.7% holding in **MP Materials Corp** (NYSE:MP) which is the largest rare earth producer in North America with a market capitalisation of approximately US\$3.5 billion, a 19.8% holding in **Peak Rare Earths Limited** (ASX:PEK), a 100% holding in Vietnam Rare Earth Company Limited, and a 9.2% holding in Energy Transition Minerals Limited (ASX:ETM).

Shenghe Resources is listed on the Shanghai Stock Exchange (SSE: 600392.SS) and has a market capitalisation of approximately US\$2.6 billion.

Tranche 1 Subscription

Vital is pleased to announce it has executed a subscription agreement (**Subscription Agreement**) with Shenghe under which Shenghe has agreed to subscribe for 9.99% of the issued share capital in Vital (post deal) at a subscription price of A\$0.01 per share to raise a minimum of approximately A\$5.9 million (**Tranche 1 Subscription**).

The material terms of the Subscription Agreement are set out in Appendix 1.



Based on Vital's current shares outstanding, the Tranche 1 Subscription represents approximately 589 million shares at A\$0.01 per share (**Subscription Price**) for total proceeds of approximately A\$5.9 million. The Subscription Price of A\$0.01 per share is the same as the last traded price of Vital shares on 20 July 2023.

Completion of the Tranche 1 Subscription (**Completion**) is subject to a number of conditions precedent which must be satisfied on or before 30 November 2023, including:

- no 'material adverse change' occurring in relation to Vital; and
- receipt by Shenghe of overseas direct investment approvals (**ODI**) in China³.

In respect of the above conditions, the Company confirms that 'material adverse change' means an event or occurrence which results in an annualised diminution of Vital's net assets of greater than A\$5 million. The Company also confirms that the necessary ODI filings will be made by Shenghe promptly and the approvals are expected to be received within 30 business days of the date of this announcement.

Following completion of the Tranche 1 Subscription, Shenghe will have the right to nominate one person to be appointed as a non-executive director to the Vital Board of Directors.

The Tranche 1 Subscription will be completed utilising the Company's available placement capacity under ASX Listing Rule 7.1A (530.6m) and Listing Rule 7.1 (58.4m).

Tranche 2 Subscription

Vital has granted Shenghe an option to subscribe for up to a further approximately 592 million shares (equivalent to an additional 8.2% of the issued share capital in Vital following completion of Tranche 1 and 2 Subscription) at a subscription price of A\$0.015 per share (representing a 50% premium to the last traded price of Vital shares on 20 July 2023) which, if exercised, would raise approximately A\$8.9 million (**Tranche 2 Subscription**).

Shenghe may exercise its option to subscribe for shares under the Tranche 2 Subscription at any time in the 12 months following completion of the Tranche 1 Subscription.

The Tranche 2 Subscription is subject to several conditions precedent including Vital having obtained shareholder approval for the Tranche 2 Subscription for the purposes of ASX Listing Rule 7.1 at an Extraordinary General Meeting (**EGM**), no material adverse change having occurred in respect of Vital and receipt of relevant government approvals. Absent a waiver from ASX (which will be applied for), the Company is required to issue the securities within 3 months of the EGM.

Wigu Hill Project

Shenghe, Vital and its wholly-owned subsidiary, Cheetah Resources Pty Ltd (**Cheetah**), have entered into a binding term sheet for Shenghe, subject to satisfaction of conditions precedent, to acquire 50% of

³ The Tranche 1 Subscription is not subject to a due diligence condition, which has been completed prior to entry into the Subscription Agreement.



the issued share capital in Kisaki Mining Ltd (Kisaki), which is the application for a Mining Licence or Special Mining Licence (**Licence**) over the tenure comprising the Wigu Hill Project, for cash consideration of up to US\$1.5 million⁴ (**Stage 1 Purchase**).

One of the conditions precedent to the Stage 1 Purchase is the grant of a Licence by the Government of Tanzania to Kisaki Mining Ltd (**Kisaki**), an entity in which Cheetah owns 90% of the issued share capital, on or before 19 November 2027. Kisaki is the registered applicant for the Licence, but does not presently have an interest in the Licence because it has not yet been granted. While the approximate timeframe for grant of the Licence is uncertain and influenced by several factors, such as economic assessment of the relevant project and dialogue between the applicant and the Government, the Company understands that it will first need to agree the terms of and enter into a framework agreement, as is customary practice prior to grant of a Special Mining Licence in Tanzania.

The Government of Tanzania is entitled to a free-carried, 16% ownership interest in the Wigu Hill Project upon grant of a Special Mining Licence, which is customary in Tanzania. The interest which may be acquired by Shenghe does not impact the Tanzanian Government's interest.

The Stage 1 Purchase is subject to a number of conditions precedent which must be satisfied on or before 19 November 2027, including:

- Completion of due diligence by Shenghe;
- Grant of the Licence to Kisaki (or another entity controlled by Cheetah);
- Execution of a long-form shareholders agreement between Cheetah and Shenghe and a framework agreement between Cheetah, Shenghe and the Government of Tanzania;
- Cheetah evidencing that it is the legal holder of 90% of the issued share capital of Kisaki;
- Relevant regulatory, shareholder and government approvals on terms satisfactory to Shenghe and Vital; and
- Terms and conditions of the framework agreement, shareholders agreement and SML being satisfactory to Shenghe and Vital.

Upon completion of the Stage 1 Purchase, Shenghe to be able to increase ownership position to 60% (of the non-government interest) (**Stage 2 Earn-In**) through sole funding and leading the work associated with the pre-feasibility study on Wigu Hill within 4 years of completion of the Stage 1 Purchase.

Upon completion of the Stage 2 Earn-In, Shenghe to be able to increase ownership position to 75% (of the non-government interest) (**Stage 3 Earn-In**) through sole funding and leading the work associated with a definitive feasibility study on Wigu Hill within 2 years of completion of the Stage 2 Earn-In.

⁴ Consideration equal to 50% of the total costs, expenses and liabilities reasonably incurred by or on behalf of Vital in relation to the Wigu Hill Project (capped at US\$1.5m).



Indicative Timetable

An indicative timetable of key dates in relation to the Shenghe Subscription Agreement is detailed below.

Key Events	Date
Announcement of Shenghe Subscription Agreement	Friday, 27 October 2023
Expected Satisfaction of Tranche 1 Subscription Conditions	Mid-November 2023
Lodgement of cleansing prospectus for Tranche 1 Subscription Shares	Mid-November 2023
Completion of Tranche 1 Subscription, Allotment and Quotation of Tranche 1 Subscription Shares	Mid-November 2023
Notice of EGM released	20 November 2023
EGM to approve Tranche 2 Subscription	20 December 2023

The timetable is indicative only and remains subject to change at the Company's discretion and subject to compliance with applicable laws and the ASX Listing Rules.

This announcement is not intended to lift the voluntary suspension of the Company's securities on the ASX.

Advisers

Ashanti Capital is acting as financial adviser to Vital Metals. Subject to Completion occurring, Ashanti will be paid a fee equal to 6% of the subscription amount of the Tranche 1 Subscription and, subject to shareholder approval at the EGM, 200 million options to acquire ordinary Vital shares (3 year expiry, A\$0.015 exercise price).

Steinepreis Paganin is acting as legal adviser to Vital Metals.

- ENDS -

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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.

Appendix 1: Key Terms – Shenghe Subscription Agreement

Tranche 1 Subscription	Notes
Ownership	<ul style="list-style-type: none"> Shenghe has agreed to subscribe for 9.99% of the issued share capital in Vital (post deal) at a subscription price of A\$0.01 per share to raise a minimum of approximately A\$5.9 million
Quantum	<ul style="list-style-type: none"> Based on Vital's current shares outstanding, the Tranche 1 Subscription represents approximately 589 million shares for total proceeds of approximately A\$5.9m The number of Tranche 1 Subscription shares will be increased to the extent required to ensure Shenghe holds a 9.99% ownership interest following Tranche 1 Subscription (if, for example, the Company undertakes a concurrent or interim equity raising)
Price	<ul style="list-style-type: none"> Tranche 1 Subscription price of A\$0.01 per share (equal to the last traded price of Vital shares on 20 July 2023)
Conditions Precedent	<ul style="list-style-type: none"> No material adverse change ('material adverse change' meaning an event or occurrence resulting in an annualised diminution of net assets of >A\$5 million) Receipt of overseas direct investment (ODI) approvals in China Receipt of relevant government and regulatory approvals Drop dead date: 30 November 2023
Board nominee	<ul style="list-style-type: none"> Following Tranche 1 Subscription completion, Shenghe will have the right to nominate one person as a non-executive director to the Vital Board. Shenghe will maintain its right to have a Board appointee for such time as it holds at least 8% of the voting rights attaching to Vital shares.
Warranties	<ul style="list-style-type: none"> Customary representations and warranties
Tranche 2 Subscription	Notes
Ownership	<ul style="list-style-type: none"> Shenghe has been granted an option to subscribe for up to a further 591,668,698 shares (equivalent to an additional 8.2% of the issued share capital in Vital, post-deal) in the 12 months following Completion of the Tranche 1 Subscription. Subscription under the Tranche 2 Subscription would increase Shenghe's ownership interest in Vital to up to 18.2% (based on the number of shares outstanding following completion of the Tranche 1 Subscription and subject to no additional shares being issued by Vital following completion of the Tranche 1 Subscription)
Quantum	<ul style="list-style-type: none"> The Tranche 2 Subscription represents approximately 592 million shares for total proceeds of approximately A\$8.9m
Term	<ul style="list-style-type: none"> Shenghe may exercise its option to subscribe for shares under the Tranche 2 Subscription at any time in the 12 months following Completion of the Tranche 1



	Subscription. The option lapses if it has not been exercised after 12 months following Completion of the Tranche 1 Subscription.
Price	<ul style="list-style-type: none">• Tranche 2 Subscription price of A\$0.015 per share (representing a 50% premium to the last traded price of Vital shares on 20 July 2023)
Conditions Precedent	<ul style="list-style-type: none">• Vital having obtained shareholder approval for the Tranche 2 Subscription at an Extraordinary General Meeting (EGM)• No material adverse change• Receipt of relevant government and regulatory approvals• Drop dead date: 3 months after Shenge makes its election
Warranties	<ul style="list-style-type: none">• Customary representations and warranties
