

VITAL METALS' NECHALACHO MAY 2021 SITE UPDATE – FUNDING AGREEMENT FOR ORE SORTER SIGNED WITH CANADIAN NORTHERN ECONOMIC DEVELOPMENT AGENCY

HIGHLIGHTS

- Vital progresses Nechalacho site construction and development ahead of rare earths beneficiation commencing in June 2021
- Ore sorter on track for installation in early June 2021
- Partial funding for the ore sorter to be provided by the Canadian Northern Economic Development Agency (CanNor)
- The repayable contribution to be provided by CanNor is for 50% of eligible costs relating to the innovative use of sensor-based ore sorter and material handling equipment used for the beneficiation of rare earth ore at the Nechalacho Rare Earth Project in the Northwest Territories
- Vital on track to become Canada's first and North America's second rare earth producer.

Vital Metals Limited (ASX: VML) (“Vital Metals” or “the Company”) is pleased to provide an update on activities at its Nechalacho rare earths project in Northwest Territories, Canada, where production is on track to commence via ore sorting in June 2021.

Once in production, Vital Metals will be the first rare earths producer in Canada and only the second in North America. Vital Metals will send ore from Nechalacho to Saskatoon later in 2021 for cracking and leaching.

Vital Metals' Managing Director Geoff Atkins said: *“It has been extremely busy at Nechalacho during May as we make final preparations ahead of commencing ore sorting in June. With mining underway, we are focused on ensuring the ore sorter is installed and commissioned for operation. We are pleased to receive support from the Canadian Northern Economic Development Agency which validates our strategy to create a low impact rare earth production facility in the NWT that will generate significant Indigenous and Northern economic and employment benefits and establish the NWT as Canada's first producer of these critical minerals that enable the green economy. CanNor's support for adapting and adopting sensor-based ore sorting technology for the extraction of rare earths will result in a much smaller environmental footprint than would otherwise be the case”*

NECHALACHO OPERATIONAL UPDATE – MAY 2021

Mining contractor Nahanni Construction Ltd completed the first blast at Nechalacho's North T Zone in early May following its mobilisation to site.

Project development activities undertaken during May included:

Mining Operations:

- Tree removal around North T pit and ROM pad drainage channel
- Overburden removal
- Preparation for first drill and blast of ore
- Separation of clays for the construction of the water storage pond
- Commencement of layout water storage pond and drainage ditch cut and fill locations
- Excavation for water storage pond

Sorter Operations:

- Preparations for ore sorter installation including clearing and levelling the site
- Preparation of ore sorter pad and foundations
- Placement of ore sorter frame into position
- Layout of ROM pad area for crusher
- Readying ore sorter for placement onto frame.



Figures 1 and 2 - Excavating the ore sorter location; Loading cobble to bring to ore sorter pad



Figure 3 and 4 – Geotec mat for ore sorter; Bridge construction commences at Nechalacho



Figure 5 and 6 – Ore sorter frame located in position and ore sorter awaiting placement



Figure 7 - Loading till from north-east side of North T pit



Figure 8 – Loading overburden



Figure 9 and 10 – Removal of overburden to rock; Drilling underway in preparation for first blast of ore.



Key milestones forecast for June 2021:

- First blast of ore
- Erection of ore sorter and associated equipment
- Commencement of crushing operation
- Commissioning of ore sorter, with first beneficiated product produced.

CANNOR FUNDING AGREEMENT

Vital Metal's Canadian subsidiary, Cheetah Resources Corp. ("Cheetah"), has signed a funding agreement with the Canadian Northern Economic Development Agency ("CanNor") for C\$1.26 million.



The sensor-based ore sorter that will create a rare earth concentrate delivered to the Nechalacho Rare Earth Demonstration Project in March 2021 over the winter ice road.

Cheetah will use the funding to demonstrate the environmental, technical, and economic advantages of single step sensor-based sorting of rare earth ore to produce a value added mixed rare earth concentrate in the NWT. The concentrate will be shipped to Vital Metals'

processing plant in Saskatoon where it will be processed into a mixed rare earth precipitate for primarily for export to Norway.

Compared to other REE beneficiation processes, this scalable mechanically based process significantly reduces the environmental footprint. It uses much less diesel, little or no water, involves no additives or chemicals and eliminates tailings ponds that typically accompany metal mining.

Cheetah is developing production capacity to concentrate REE ore for export from the NWT for downstream processing. Following construction, it is estimated that the project will create 22 jobs and expand and maintain seven others during the demonstration phase.

The Canadian Northern Economic Development Agency (CanNor) is the Government of Canada's Regional Economic Development Agency for the



Mine Manager Clarence Pike, of Eskasoni First Nation, explains the operation of the sensor-based ore sorter that will greatly simplify the beneficiation of the rare earth ore to a group of government officials and media in April 2021.



Territories. CanNor works with Northerners and Indigenous peoples, communities, businesses, organizations, other federal departments, and other orders of government to help build diversified and dynamic economies that foster long-term sustainability and economic prosperity across the Canadian territories – Nunavut, Northwest Territories, and Yukon.

Terms of the CanNor Repayable Contribution are as follows:

- Amount of the repayable contribution: C\$1.26 million;
- Term of the repayable contribution: 10 years beginning in FY 2023/24;
- Interest rate: 0%;
- Repayment terms: monthly instalments over 10 years, commencing FY2023/24;
- Funds will be disbursed within the next 12 months, they are repayable at any time without penalty, there is no security associated with the repayable contribution.

- ENDS-

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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 an explorer and developer focussing on rare earths, technology metals and gold projects. Our projects are located across a range of jurisdictions in Canada, Africa and Germany.

Nechalacho Rare Earth Project - Canada

The Nechalacho project is a high grade, light rare earth (bastnaesite) project located at Nechalacho in the Northwest Territories of Canada and has potential for a start-up operation exploiting high-grade, easily accessible near surface mineralisation. The Nechalacho Rare Earth Project hosts within the Upper Zone, a measured, indicated and inferred JORC Resource of **94MT at 1.46% TREO**.¹

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.

¹ 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.



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.