

VITAL METALS' DECEMBER 2021 QUARTERLY REPORT

HIGHLIGHTS

- Vital completed its maiden 2021 mining campaign at Nechalacho rare earths project, Canada
- Vital will redesign Nechalacho's North T pit after its ore sorter exceeded expectations, processing material significant quantities of material previously identified as waste
- Mining also intersected a high-grade zone at North T
- Vital's maiden mining campaign produced more than 1,000 x 500kg bags of beneficiated product, for transport to Saskatoon for extraction
- Construction activities continue at its Saskatoon Rare Earth Extraction facility with first production of RE carbonate forecast to occur in June 2022.

Vital Metals Limited (ASX: VML) ("**Vital Metals**" or "**the Company**") is pleased to report on its activities during the December 2021 quarter, including at its 100%-owned Nechalacho Rare Earth Project in Yellowknife, Northwest Territories, Canada.

Vital Metals Managing Director Geoff Atkins said: *"Our maiden mining campaign at Nechalacho was successful in allowing us to get a better understanding of the mineralisation at the North T pit as well as what our ore sorter could achieve. It is able to sort material that is lower grade REO than anticipated, and this meant that we were able to include material that had been classified as waste so despite mining only 17% of the bastnaesite in the mine plan, we were able to achieve 57% of the planned ore tonnage.*

"This led us to finish mining sooner and we are working to redefine our mine plan for the North T pit, now that we have more information about the pit and the ore sorter.

"We also continue to progress construction of our rare earth extraction facility in Saskatoon. As with operations around the world we have had to adapt to supply chain and logistical challenges, specifically related to shipping delays and availability of labour. Despite these challenges, it is pleasing to see that the risk mitigation measures we put in place through our decision to procure critical equipment locally has proved prudent, and that we remain on-track for first production of Rare Earth Carbonate in June. We are currently working on adjusting our commissioning schedules to account for the changed shipping schedules."



NECHALACHO RARE EARTHS PROJECT, CANADA (JORC RESOURCE: 94.7MT @ 1.46% REO)

After completing a maiden mining campaign at Nechalacho in 2021, Vital provided a summary of the operations.

Local contract mining company Det'on Cho Nahanni Construction mined nearly 58,000 tonnes of ore from the North T pit at Nechalacho during a five-month mining campaign which aimed to demonstrate Nechalacho's viability as a rare earths project.

Vital mined about two thirds (68%) of overall material planned to be mined during the campaign, with 408,000 tonnes of the planned 599,000 tonnes mined.

While mining volumes were lower than planned, Vital's ore sorter at Nechalacho exceeded expectations, enabling the Company to successfully sort lower-grade material previously below the resource cut-off not included in the mine plan.

Vital also intersected a high-grade zone, the 'dragon's tail', at North T during mining which has prompted the Company to review its mine plan.

This mine plan redesign is scheduled to occur through 2022.

Due to the unique nature of mineralisation at North T, where ore is red and waste is white, Vital classified ore and waste on sight, not assays or grade. It is yet to determine a quantified estimation of grade.

Mining operations at Nechalacho ceased in October and equipment demobilised from site. Vital produced more than 1,000 bags of beneficiated product at site, each totalling 500kg of material. The first of these bags have arrived in Saskatoon to be processed at Vital's rare earths extraction plant, which is under construction.

In addition, it has stockpiled nearly 11,000m³ of material on site at Nechalacho, comprising high-grade (1,630m³) and low-grade (4,240m³) crushed material and fines (4,770m³), which it will process on site.

SASKATOON RARE EARTH EXTRACTION FACILITY, CANADA

Construction of the Saskatoon Rare Earth Extraction ("REE") facility has progressed through the December quarter with all major equipment ordered and deliveries commencing.

As with projects and operations throughout the world, the construction of the REE facility has been affected by shipping bottlenecks for equipment procured internationally. These delays, as experienced by others, may be up to 6-8 weeks. In undertaking our risk assessment at the commencement of equipment procurement, the Vital Team identified the potential risks associated with shipping timelines and sought to procure as much equipment locally as possible. Therefore equipment affected by these logistical challenges has been limited to some front end equipment, such as shaking tables and the DMS plant, plus other equipment which was not on the critical path. That equipment which was on the critical path for the production of carbonate product, such as the kiln and tanks, was procured locally to ensure they would not be affected.



Therefore whilst it is unfortunate that first feed into the plant has been deferred, this is not anticipated to impact the first production of RE carbonate in June 2022.

US LEGISLATION RELATING TO RARE EARTHS

The December quarter saw the introduction of a bipartisan Bill to the US Senate aiming to end the US reliance on Chinese rare earth elements. This followed an announcement by the US Department of Commerce's Bureau of Industry and Security (BIS) of a Section 232 investigation into the "effects of imports of neodymium magnets on US national security" in September 2021.¹

Senators Tom Cotton and Mark Kelly introduced the *Restoring Essential Energy and Security Holdings Onshore for Rare Earths Act* ("REEShore") "to protect America from the threats of rare earth element supply disruptions, encourage domestic production of rare earth metals and rare earth metal products in the United States."²

Under the Department of Commerce's Section 232 investigation, US Secretary of Commerce Gina M. Raimondo will determine the effects on US national security from imports of neodymium-iron-boron (NdFeB) permanent magnets. She is expected to report her findings and recommendation to US President Joe Biden by 18 June 2022.

Vital's Nechalacho project represents the second rare earth mine in North America and with production of rare earth carbonate forecast to commence in the first half of 2022, as well as off-take agreements with REEtec and Ucore, it will be the first company producing rare earth products for the US market.

WIGU HILL PROJECT, TANZANIA

During the December quarter the Company has continued discussions regarding the issuance of a Mining Licence for the Wigu Hill rare earth project.

NAHOURI GOLD PROJECT, BURKINA FASO

Vital Metals has suspended all exploration activity in Burkina Faso.

AUE COBALT PROJECT, GERMANY

There were no exploration activities on the Aue project in the December quarter.

¹ <https://www.commerce.gov/news/press-releases/2021/09/us-department-commerce-announces-section-232-investigation-effect>

² <https://www.cotton.senate.gov/news/press-releases/cotton-kelly-introduce-bill-to-end-reliance-on-china-for-rare-earth-elements>



CORPORATE

Results of Annual General Meeting

At Vital's Annual General Meeting held on 25 November 2021, all resolutions put to the meeting were decided by poll and approved by the required majority. Resolutions were:

1. Adoption of Remuneration Report
2. Election of Director – Mr Evan Cranston
3. Approval of 10% Placement Capacity
4. Ratification of Agreement to Issue Options to Adviser
5. Proportional Takeover Provisions.

Share Registry – Change of Address

With effect from 20 December 2021, Vital's share registry, Automic Perth relocated to:

Level 5
191 St Georges Terrace
Perth WA 6000

All other contact information remained unchanged.

Cash position

As of 31 December 2021, the Company held approximately \$18.12 million in cash and cash equivalents.

During the quarter, the Company made payments of \$87k to related parties and their associates. These payments relate to existing remuneration agreements for the Managing Director, Executive and Non-Executive Directors.

During the quarter, Vital spent \$7.17m on exploration and evaluation expenditure and mine under development costs. Details of activities carried out during the quarter are set out in this report.

TENEMENT SCHEDULE

Location	Tenement	Status	Interest at beginning of quarter	Interest acquired or disposed	Interest at end of quarter
Canada	Nechalacho	100%*	100%	0%	100%
Burkina Faso	Nahouri	100%	100%	0%	100%
	Kampala	100%	100%	0%	100%
	Zeko	100%	100%	0%	100%
Germany	Aue	100%	100%	0%	100%
Tanzania	Wigu Hill	0%**	0%	0%	0%

* Vital owns 100% of the mineral rights of the Nechalacho Project above the 150 m elevation level.

** Vital has entered into an agreement to acquire this licence. The Company is awaiting the issuance of the licence by the Tanzanian Government.



- 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 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 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**.

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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

VITAL METALS LIMITED

ABN

32 112 032 596

Quarter ended ("current quarter")

31 DECEMBER 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(427)	(620)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(274)	(522)
	(e) administration and corporate costs	(474)	(883)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	8
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(1,172)	(2,017)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(2,147)	(3,635)
	(d) exploration & evaluation, mine properties	(7,172)	(11,188)
	(e) investments	-	-
	(f) other non-current assets	(13)	(13)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	27	27
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(9,305)	(14,809)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	138
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of lease liabilities)	(48)	(110)
3.10	Net cash from / (used in) financing activities	(48)	28

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	28,648	34,907
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,172)	(2,017)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,305)	(14,809)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(48)	28

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(7)	7
4.6	Cash and cash equivalents at end of period	18,116	18,116

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	17,172	27,698
5.2 Call deposits	944	950
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	18,116	28,648

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	87
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,172)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(7,172)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(8,344)
8.4 Cash and cash equivalents at quarter end (item 4.6)	18,116
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	18,116
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.2
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.