

ASX Release

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VHM Enters Strategic Partnership with Iluka Resources

Transformational partnership secures long tenor offtake for Rare Earths Concentrate, provides cornerstone capital and delivers an integrated Australian rare earths supply chain

VHM Limited (ASX: VHM) ("VHM" or "the Company") is pleased to announce it has entered into a long term strategic partnership with Iluka Resources Limited (ASX: ILU) ("Iluka"), comprising a binding offtake agreement and a A\$40 million convertible note funding package for the fully-permitted Goschen Rare Earths and Mineral Sands Project in Victoria ("Goschen") or ("Goschen Project").

The strategic partnership provides VHM with a value accretive and low capital intensity development pathway for Goschen. VHM will provide secure rare earths concentrate (REC) to Iluka's Eneabba Rare Earths Refinery ("Eneabba") which will be Australia's first operating rare earths oxide refinery. This is a major milestone for VHM that materially strengthens the development pathway for Goschen, underpins value creation for shareholders and advances Goschen towards Final Investment Decision (FID).

The partnership is aligned with the Australian Government's Critical Minerals Strategy which supports sovereign, value-added rare earths mining and processing capability in Australia. VHM remains in discussions with export credit agencies, including Export Finance Australia (EFA), around a senior debt facility.

Key highlights:

- **Strategic positioning supporting processing of critical minerals in Australia**
Goschen's REC, will provide heavy rare earths Dysprosium (Dy), Terbium (Tb) and Yttrium (Y) and light rare earths (NdPr) to feed Eneabba, delivering an end-to-end sovereign Australian supply chain. The partnership establishes VHM as a cornerstone supplier of critical rare earth materials at a time of acute global demand for secure rare earth supply.
- **Life of mine Rare Earths offtake secured**
A binding agreement for 100% of Goschen's REC production provides bankable long term revenue certainty for the life of the current mining licence supplying (20 years and 5Mtpa).
- **Early-stage, flexible cornerstone funding support**
Iluka to provide up to A\$40 million investment via a two-tranche convertible note¹ with tranche one priced at a premium to market, provides flexible, development capital while demonstrating strong third-party validation of Goschen's quality and strategic importance.
- **Material project de-risking and unlocking financing**
The combination of binding offtake and aligned funding materially reduces key project risks, enhancing credit attractiveness and significantly strengthening VHM's position in ongoing discussions with export credit agencies and project financiers, accelerating the project towards Final Investment Decision (FID).

¹ Subject to satisfaction or waiver of certain conditions, and receipt of shareholder approval under ASX Listing Rule 7.1 as VHM does not have sufficient existing placement capacity to agree to issue the Convertible Notes.

Offtake agreement is transformational for VHM

This offtake agreement delivers a step-change in VHM's risk profile and value proposition:

- **Revenue certainty:** Long term take-and-pay structure supports predictable cash flows and project bankability
- **Pricing pass through and upside sharing:** Pricing mechanism is linked to Iluka's realised rare earths pricing with payability structure that provides exposure to upside and contains downside protection and incorporates a pass-through of any government price support received
- **Funding momentum:** Provides immediate development capital while catalysing broader funding sources (EFA and the US Export-Import Bank ("EXIM") & commercial lenders)
- **Long term growth optionality:** Iluka's potential right of first refusal over future expansion of Goschen signals strategic partner commitment while preserving VHM's potential development upside across Cannie and Nowie
- **Strategic positioning:** The agreement sees value adding to critical minerals kept in Australia and establishes VHM as a critical domestic supplier of rare earths

Together, these factors are expected to drive a lower cost of capital, improve financing terms and accelerate progression towards (FID). Please see Appendix A for further details of the Offtake Agreement.

Convertible notes funding structure

The A\$40 million Iluka funding package is structured to optimise shareholder outcomes²:

- **Tranche one convertible note of \$10 million**, at a 10% coupon with a 3-year maturity is priced at a 30% premium to the 15-day VWAP of VHM shares up to and including 1 July 2026, convertible into up to ~43 million shares (including assumed capitalised interest)³, to support development activities and progression to FID, signaling strong valuation support
- **Tranche two convertible note of \$30 million**, at a 10% coupon with a 4-year maturity is priced at the same price as any equity raise for remaining project equity funding, thereby reducing the need for additional shareholder funding
- **Positions Iluka** as a long term strategic investor, aligning interests across the life of the project

This structure provides VHM with capital certainty while preserving upside for existing shareholders. Please see Appendix B for further details of the Convertible Notes

² The issue of the Convertible Notes will be subject to shareholder approval under ASX Listing Rule 7.1 to be sought at an extraordinary general meeting to be held within the next six months, as VHM does not have sufficient existing placement capacity to agree to issue the Convertible Notes. Please below and Appendix B for further details of the Convertible Notes.

³ The actual number of shares issued will be lower to the extent interest is paid in cash and/or the convertible notes are converted or redeemed earlier

Next steps in accelerating the pathway to FID and Project funding

With the current life of mine offtake secured and cornerstone funding in place, VHM is now well advanced in assembling a fully funded development solution.

The Company in conjunction with its advisors Macquarie Capital, is actively progressing the following

- Finalisation of the Heavy Mineral Concentrate (HMC) offtake, which the Company expects to update the market on in due course
- Debt financing discussions based off Letters of Support received from EFA & EXIM
- Engagement with a range of domestic and international commercial lenders

Advancement across these workstreams is expected to strengthen the Company's position to complete the final investment decision in the latter half of 2026.

VHM Limited Chief Executive Officer Andrew King said:

"We are delighted to establish this strategic partnership with Iluka, a globally recognised leader in mineral sands and soon in rare earths processing. This partnership is a transformational milestone for VHM and materially advances the development of the Goschen Project. The combination of long term demand certainty, downstream access and financing support significantly derisks the Project and reinforces the role Goschen and Eneabba can play in building sovereign, value-add rare earths processing capability and supply chain in Australia. We look forward to updating the market in due course on offtake for our HMC and FID for Goschen."

About VHM Limited

VHM Limited (ASX: VHM) is developing the fully permitted Goschen Rare Earths and Mineral Sands Project, located in the Loddon Mallee Region of Victoria. Goschen is a Tier 1 integrated rare earth and mineral sands project with a globally significant mineral assemblage, including both light and heavy rare earth elements. VHM owns 100% of the Goschen Project.

About Iluka Resources

Iluka Resources Limited (ASX: ILU) is an Australian critical minerals company and a global leader in mineral sands production, advancing a fully integrated rare earths value chain through the development of the Eneabba Rare Earths Refinery in Western Australia. The refinery is designed to process both Iluka's internal feedstocks and third party feedstocks, underpinning a domestic downstream processing capability for critical minerals and strengthening western-aligned supply chains.

This announcement is approved by the VHM Board of Directors.

ENDS

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VHM Limited (ASX: VHM)

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APPENDIX A

Summary of the Offtake Agreements key terms

Term	Summary
Parties	VHM Limited as Seller and Iluka Rare Earths Pty Ltd as Buyer
Product	Rare earth concentrate from the Goschen Project
Original Product Quantity and Term	Iluka to purchase all 145,620 tonnes of rare earth product from the Goschen Project over life of mine, being approximately 8,320 tonnes per annum of rare earth concentrate product, equivalent to approximately 4,900 tonnes per annum of contained rare earth oxides
Contract Term	Until delivery of the Total Quantity from the Goschen Project, being approximately 18 years.
Delivery	Product to be delivered by VHM to Iluka at the Eneabba Rare Earth Refinery
Pricing	The pricing mechanism is linked to the realised basket price from Iluka's Eneabba Facility, modified by a payability factor that increases with the realised basket price and with the benefit of any pricing support.
Turndown Right	The parties may temporarily suspend the sale and purchase of Product if Iluka's weighted average realised selling price falls below a prescribed level for two consecutive quarters.
Take and Pay	Iluka required to take 100% of the product delivered to the delivery point in accordance with a production forecast up to a maximum annual quantity per year, including where Eneabba has not achieved commercial production.
Conditions Precedent	Key conditions include VHM reaching final investment decision on Goschen, unconditional project funding, all necessary approvals, commercial production of the Goschen Project and Eneabba financier approval by the agreed milestone dates
Rights of First Refusal	Iluka granted a right of first refusal over rare earth concentrate or any rare earth material from the Nowie and Cannie projects, and over rare earth concentrate and any additional rare earth material produced from the Goschen Project in excess of the Total Quantity
Security	Step-in rights for Iluka in respect of product improperly sold or diverted to third parties and upon VHM insolvency, including rights to take possession and direct shipment, supported by a general security agreement and second-ranking security package (including a mining mortgage over the tenements), subject to customary intercreditor arrangements with senior project financiers under a priority and tripartite deed to be entered into

APPENDIX B

Summary of the Convertible Notes

Convertible Note 1

Term	Summary
Instruments	Secured convertible note
Face value	A\$10,000,000
Purpose	Support development activities and progression to final investment decision
Conversion	The Holder may convert all or part of its notes (plus uncapitalised accrued interest) into shares at any time from the Issue Date, on at least 5 business days' notice.
Conversion Price	A\$0.3136 (equal to a 30% premium to 15-day VWAP of VHM shares up to and including 1 July 2026), subject to various adjustment events.
Redemption	Notes are redeemed at face value (plus uncapitalised accrued interest) on maturity. The Company may redeem early at any time on at least 10 business days' notice, however, in such event the Holder may instead choose to convert. The Holder may require redemption following an Event of Default, or within 3 months after a Change in Control Event, on at least 2 business days' notice
Coupon	10.0% per annum
Coupon payment	Capitalised on each Interest Payment Date (31 Jan, 30 Apr, 31 Jul, 31 Oct) unless the Company elects to pay in cash
Maturity	3 years from issuance
Default interest	Additional 4% per annum
Security	Second-ranking security package behind senior project debt, including general security and mining mortgage
Conditions to issue	Subject to customary conditions including shareholder approval under ASX Listing Rule 7.1 to be sought at an extraordinary general meeting to be held within the next six months, as VHM does not have sufficient existing placement capacity to agree to issue the Convertible Notes.

Convertible Note 2

Term	Summary
Instruments	Secured convertible note
Face value	A\$30,000,000
Purpose	Funding of construction of the Goschen Project over the availability period
Conversion	The Holder may convert all or part of its notes (plus uncapitalised accrued interest) into shares at any time from the Issue Date, on at least 5 business days' notice.
Conversion Price	The same price as any equity raise for remaining project equity, subject to various adjustment events.
Redemption	Notes are redeemed at face value (plus uncapitalised accrued interest) on maturity. The Company may redeem early at any time on at least 10 business days' notice, however, in such event the Holder may instead choose to convert. The Holder may require redemption following an Event of Default, or within 3 months after a Change in Control Event, on at least 2 business days' notice
Coupon	10.0% per annum
Coupon payment	Capitalised on each Interest Payment Date (31 Jan, 30 Apr, 31 Jul, 31 Oct) unless the Company elects to pay in cash
Maturity	4 years from issuance
Default interest	Additional 4% per annum
Security	Second-ranking security package behind senior project debt, including general security and mining mortgage, subject to intercreditor arrangements
Conditions to issue	Subject to customary conditions including: - evidence the Goschen Project is fully funded to first production; - completion of a future equity raising after completion of the definitive feasibility study of the Goschen Project for the purpose of raising additional equity funding required for the development of the Goschen Project as contemplated by the final investment decision of the Goschen Project; - Iluka completing satisfactory due diligence; - execution of the senior project debt; - a positive FID; and - shareholder approval under ASX Listing Rule 7.1 to be sought at an extraordinary general meeting to be held within the next six months, as VHM does not have sufficient existing placement capacity to agree to issue the Convertible Notes.