



ARTICLE: How will the DoD's amended prohibition of neodymium magnets affect Zulu Origins' ability to remain Berry Compliant in the US?

INTRODUCTION

Zulu Origin's transformative soldier systems technology (LODEOut) has gained significant traction and demonstrated unique end-user functionality for frontline military personnel. A key component of the LODEOut system is the application of high-performing magnets to facilitate rapid and secure attachment of tactical pouches and accessories to and from a variety of widely adopted carriers.

On May 30, 2024, the Department of Defense (DoD) issued a final ruling within the National Defense Authorization Act (NDAA) [1] that further restricts the DoD from acquiring certain metals and magnets from "covered countries", such as Iran, North Korea, Russia, and China. These extended restrictions come effective from January 1st 2027. Despite widely held concerns surrounding the infancy of domestic supplies for the covered materials, the final rule extends the restrictions on sourcing neodymium magnets from covered countries. The amended prohibition extends all the way back to where these materials are mined, and is consistent with the U.S. government's ongoing effort to develop a domestic industrial base for the on-shoring of critical minerals, magnets, and metals. Despite such efforts, the commercial availability of neodymium magnets that are mined and produced within the US by January 2027 remains uncertain at best, especially for SMEs with contractual supply aspirations to the DoD.

DISCUSSION

At present, Zulu Origins' LODEOut system meets the Berry Compliant criteria. With the exception of neodymium magnets, all materials are procured from US suppliers with full assembly and manufacturing established through our dedicated contract manufacturer in Tennessee. For specificity, within the Defense Federal Acquisition Regulation Supplement (DFARS) 252.225-7009 *Restriction on Acquisition of Certain Articles Containing*

Speciality Metals [2], exemptions are noted for Commercially available off-the-shelf (COTS) items that incorporate high-performance magnets into either: (a) the COTS end items; or (b) the component 'subsystems' of the item [3]. Additionally, this exemption applies to COTS items that are normally sold in the commercial marketplace, insofar that those items are not offered to the US Government as a 'different' or 'unique' option (design) that differs in application or construction when procured and utilised by military personnel.

In revisiting the prohibition clauses within the NDAA amended restrictions on acquisition of certain magnets, tantalum, or tungsten [4], the message is clear insofar that suppliers to the DoD are now being faced with further limitations to the commonly utilised COTS exemptions. From January 1st 2027, COTS items will only be exempt from the updated prohibition unless they are 50% or less of the covered material by weight. Therefore, unless suppliers of COTS items containing high-performing magnets and specialty metals that are mined or processed in a restricted country (e.g., China) can demonstrate that: 1) their organisations 'end item' (product) or a subsystem of said product totals a material weight exceeding 50% of the covered materials (magnets) weight; or 2) their products are sold 'normally' across the commercial marketplace, with no design, material, component, or functionality alterations for sales to the DoD; then suppliers who wish to sell products or systems containing high-performing magnets will be forced to procure their materials from a US (or US approved state) source that mines, refines, separates, melts, or produces those supplies domestically.

CONCLUSION

Fortunately, despite these extended prohibitions and the wider concern of ever-tightening supply chains, geopolitical tensions and the ongoing disruptions to status quo trade agreements between the US and China, Zulu Origin continue to procure neodymium magnets without disruption and with satisfactory lead times. Moreover, having conducted a thorough review of the pending NDAA amendments and subsequent restrictions, we can confirm that without further amendment, our LODEOut products will remain Berry Compliant for the foreseeable future. This position is summarised and justified under the following premise:

1. Our LODEOut products are classified as Commercially available off-the-shelf items (i.e., our products are commercially available, ready-made for sales to the general public, and are used 'as-is' by military end users);

2. Our LODEOut modules meet the 50% covered material weight clause (i.e., subtracting the weight of two magnets, the total material weight of our modules exceeds 50% of the total item weight);
3. With the exception of high-performing magnets, all materials and accessory components of our products are procured from Berry Complaint suppliers within the US;

AND

4. The cutting, fixing, sewing, and full assembly of those materials are manufactured through our Berry Compliant OEM in Tennessee.

In closing, given we are a UK company, the relationship we hold with our US counterparts is as special as it is historical and strategically important. We are delighted to have established several strategic relationships and sales pipelines across the territory, and under the aforementioned circumstances, we see no reason why this won't continue long into the future.

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