



**Vital Metals Ltd**

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**VITAL METALS LTD**

*ACN 112 032 596*

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2009**

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**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
CORPORATE DIRECTORY**

**Directors**

William Ryan  
Non-Executive Chairman

Andrew Simpson  
Independent Non-Executive Director

Paul Benson  
Independent Non-Executive Director

Peter Cordin  
Independent Non-Executive Director

**Company Secretary**

Ian Hobson

**Principal Office**

Level 1, 335 Hay Street  
Subiaco WA 6008

**Registered Office**

Level 1, 335 Hay Street  
Subiaco WA 6008

**Auditors**

KPMG  
235 St George's Terrace  
Perth WA 6000

**Share Registry**

Security Transfer Registrars Pty Ltd  
770 Canning Hwy  
Applecross WA 6153

## VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES DIRECTORS' REPORT

The Directors submit their Report on Vital Metals Ltd (the "Company") and of the Company and its controlled entities (together referred to as the "consolidated entity"), for the year ended 30 June 2009 and the auditor's report thereon.

### 1. DIRECTORS

The names of the directors of the Company in office during the year and until the date of this report are as follows. The directors were in office for this entire period unless otherwise stated.

William J Ryan  
Andrew Simpson  
Paul Benson (appointed 17 April 2009)  
Peter Cordin (appointed 7 September 2009)  
Andrew Haslam (appointed 3 January 2008, resigned 24 April 2009)  
Peter Knowles (appointed 20 August 2008, resigned 24 April 2009)  
Donald Ross Kennedy (appointed 20 January 2005, resigned 1 September 2008)  
Colin Hunter (appointed 23 February 2005, resigned 8 July 2008)

The names and details of the directors of the Company in office at the end of the year are:

Director	William J Ryan M.E., F.AusIMM, FAICD
Appointed	9 December 2004
Position	Non-Executive Chairman (Executive Chairman until 30 June 2008)

Mr Ryan holds a Masters degree in chemical engineering and has over 40 years experience in mining, metallurgy and management. His career has included 4 years in metallurgical research at Amdel in Adelaide, 11 years at Endeavour Resources Limited in Melbourne, a brief role at Bond Resources in 1981 and 1982 following which he operated his own consultancy, Rytech Pty Ltd, until 1987. He took control of what became Titan Resources NL in late 1987 and resigned from that position after 17 years in June 2004.

He was the longest serving President of the influential mining lobby group AMEC for 5 years (1995 – 2000), a Councillor of the WA Chamber of Minerals and Energy for 2 years and an inaugural Councillor of the Australian Gold Council.

Mr Ryan was appointed non-executive Chairman of Brumby Resources Ltd in May 2006. Mr Ryan resigned as a non-executive director of Gindalbie Metals on 24 November 2005 and Jupiter Mines Limited on 31 March 2006. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

Director	Andrew Simpson Grad Dip. Bus (Curtin), MAICD
Appointed	23 February 2005
Position	Independent Non-Executive Director

Mr Simpson holds a Graduate Diploma in Business and Administration (majoring in Marketing and Finance) from Curtin University and is currently the Managing Director and Principal of Resource and Technology Marketing Services Pty Ltd (RTM) in Perth.

Mr Simpson's professional career began with Allied Eneabba in 1975 where he held a variety of positions, including Marketing Manager and Commercial Manager (R&D) over an 11 year period. Mr Simpson then moved to become Managing Director of Dolmar Chemicals in WA, Group General Manager – Marketing and Business Development with Simcoa Operations in WA, Executive Director of Simcoa International and CEO of Atomaer, a WA based mining technology company. He formed RTM in 1999 to specialise in strategic and business planning, resource project assessment and marketing. RTM is recognised as one of Australia's leading market research consultants to the international mining industry.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**1. DIRECTORS (cont)**

Mr Simpson is non-executive Chairman of Swick Mining Services Ltd, Territory Resources Ltd, and India Resources Ltd. He is also a non-executive director of ABM Resources Ltd, Matilda Minerals Ltd, and Wintech International Pty Ltd and a Member of the Australian Institute of Company Directors. Mr Simpson resigned as a non-executive director of Consolidated Minerals Ltd and Windamurra Vanadium Ltd on 30 June 2007 and 29 February 2008 respectively.

Director Paul Benson B.Sc (Geology) (Curtin)  
Appointed 17 April 2009  
Position Non-Executive Director

Paul Benson is a geology professional with over 17 years experience in the mining industry. He has considerable experience in the exploration and development of gold and tin projects in Australia.

Paul is CEO/Executive Director of Aragon Resources Limited. Prior to joining Aragon, he was employed by Metals X Limited initially as the Geology Manager for the Collingwood Tin Project in far North Queensland, managing the geological and environmental aspects of the project since construction and then as General Manager. Prior to joining Metals X, his previous roles include Senior Exploration Geologist with Westcoast Mining at Tuckabianna, WA, Underground Mine Geologist with Abelle at Gidgee, WA, Project Geologist with Barrick at Lawlers, WA and Exploration Geologist with Consolidated Gold at Davyhurst/Riverina, WA.

Paul was appointed executive Director of Aragon Resources Limited in May 2007.

Director Peter Cordin  
Appointed 7 September 2009  
Position Non-Executive Director

Mr Cordin is a civil engineer with 35 years experience in the evaluation and operation of resource projects within Australia and overseas. Currently he is the Managing Director of Dragon Mining Limited an Australian listed company with gold mines in Sweden and Finland. The company will produce 80,000 ounces of gold in 2009 and has extensive exploration activities associated with the operations. He was Project Manager responsible for the construction of an alluvial diamond facility and two carbon-in-leach gold treatment plants in Australia and Indonesia. He has direct experience in the management of diamond and gold operations. Mr Cordin was Managing Director of Grant's Patch Mining Limited (100,000 ounces gold per year production) and was Director - Operations of Forsayth NL responsible for all group operations in Australia involving the annual production of 320,000 ounces of gold from five mines. He has recently been involved in the development of resource projects in Kazakhstan and New Caledonia.

Mr Cordin is a non-executive director of Coal of Africa Limited.

**2. COMPANY SECRETARY**

The company secretary is Ian Hobson (B.Bus (ECU) FCA AICS MAICD) who was appointed on 22 January 2009. Ian is a sole practitioner Chartered Accountant and Chartered Secretary who provides company secretarial services to ASX listed companies. The former company secretary was Mr John Sobolewski who held the position from 1 March 2006 to 22 January 2009.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**3. PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the year were mineral exploration. There were no significant changes in the nature of the economic entity's principal activities during the year.

**4. DIVIDENDS**

No dividends were paid during the period and the Directors do not recommend the payment of a dividend.

**5. OPERATING AND FINANCIAL REVIEW**

The consolidated loss of the consolidated entity after providing for income tax amounted to \$17,388,835 (2008: \$2,774,855). The material matters were the assessment of the recoverable value of exploration areas based on key market assumptions leading to impairment of the carrying value of \$15,846,395. A review of the operations of the economic entity during the financial year, the results of those operations, together with future prospects are set out elsewhere in this annual report.

There were no significant changes in the state of affairs of the consolidated entity during the period.

**6. SIGNIFICANT POST BALANCE DATE EVENTS**

On 30 June 2009 the Company entered into a Convertible Note Deed with Aragon Resources Ltd ("Aragon") whereby, the Company will issue a Convertible Note ("Note") to Aragon for \$500,000. The note is unsecured, has a term of three years, is not convertible in the first twelve months and carries a coupon rate of 6% payable quarterly in arrears. The note is convertible at the higher of 4 cents per share or 80% of the volume weighted average price for the month prior to conversion. On 3 July 2009 the Company's shareholders approved the issue of the Note to Aragon. The Note was issued on 7 July 2009.

Mr Peter Cordin was appointed a director on 7 September 2009.

Otherwise, no matters or circumstances have arisen since the end of the financial period which has significantly affected, or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in financial years subsequent to the financial period ended 30 June 2009.

**7. LIKELY DEVELOPMENTS**

The Information on the likely developments in the operations of the Company and the expected results of those operations have not been included in this Report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

**8. ENVIRONMENTAL REGULATION**

The Company is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**9. REMUNERATION REPORT - AUDITED**

**(a) Principles of Compensation**

Remuneration of directors and executives is referred to as compensation throughout this report. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity including directors of the Company and other executives. Compensation levels for directors and key management personnel of the Company and consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The Board is responsible for compensation policies and practices. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including the compensation packages and terms of employment.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company and the consolidated entity.

*(i) Fixed compensation*

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board where applicable.

*(ii) Share based remuneration*

Share options are granted to key employees as Directors feel that this is the most appropriate method of aligning performance to the interests of shareholders. The share options are issued under the Vital Metals Ltd Share Option Plan (See note 29 to the financial statements) and the Directors feel that it appropriately links the long term incentives of key employees to the interest of shareholders.

*(iii) Service contracts / agreements*

Mr Paul Rundel, Project Engineer, has a contract of employment with the Company. This contract is for an unlimited term and is capable of termination on 4 weeks notice. Upon termination, Mr Rundel is entitled to payment of his notice period.

All other employment contracts ceased during the year with no outstanding obligations as at 30 June 2009.

*(iv) Non-executive directors*

Total compensation for all non-executive directors, last voted upon by shareholders at the 2007 AGM, is not to exceed \$400,000 per annum. The directors took a significant reduction in compensation during the year whilst the Company restructured. From 1 July 2009 the Chairman will receive \$52,000 per annum plus statutory remuneration and non-executive directors will receive \$33,000 per annum plus statutory superannuation.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**9. REMUNERATION REPORT (cont)**

Peter Knowles was issued 500,000 options which were approved by shareholders on 21 November 2008. Otherwise there is no direct link between remuneration paid to any non-executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

**(b) Remuneration - audited**

The details of the nature and amounts of each major element of the remuneration of the directors and key management personnel of the Company during the financial period is set out in the tables below.

The key management personnel of the parent entity and the consolidated entity include the directors and the following executive officers:

- John Sobolewski and Ian Hobson – Chief Financial Officer / Company Secretary
- Bruce Pertzel – Principal Geologist
- Paul Rundel – General Manager

2009	Short-term benefits		Post-employment	Equity	Total	Value of Options as a Proportion of remuneration
	Salary and fees	Non-monetary benefits	Superannuation	compensation Value of Options *		
	\$	\$	\$	\$	\$	%
<b>Directors</b>						
W Ryan	71,500	-	6,435	-	77,935	-
D Kennedy (Resigned 1.09.08)	12,500	-	1,181	-	13,681	-
A Simpson	34,167	-	3,075	-	37,242	-
C Hunter (Resigned 8.07.08)	12,500	-	1,125	-	13,625	-
P Knowles (Resigned 24.04.09)	20,917	-	1,883	11,100	33,900	32.74%
P Benson	8,534	-	768	-	9,302	-
A Haslam (Resigned 24.04.09)	216,827	32,763	25,321	429,689	704,600	60.98%
<b>Executives</b>						
J Sobolewski (Resigned 22.01.09)	78,058	11,581	6,862	-	96,501	-
I Hobson** (Appointed 22.01.09)	31,350	-	-	-	31,350	-
B Pertzel	107,423		9,668	7,800	124,891	6.24%
P Rundel	188,000	15,953	16,920	17,039	237,912	7.16%
<b>Total</b>	<b>781,776</b>	<b>60,297</b>	<b>73,238</b>	<b>465,628</b>	<b>1,380,939</b>	

\*\*Churchill Services Pty Ltd, an entity associated with Ian Hobson was paid \$31,350 for company secretarial services.

No proportion of remuneration for any director or executive is performance related.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**9. REMUNERATION REPORT (cont)**

2008	Short-term benefits		Post-employment	Equity	Total	Value of
	Salary and fees	Non-monetary benefits	benefits Superannuation	compensation Value of Options *		Options as a Proportion of remuneration
	\$	\$	\$	\$	\$	%
<b>Directors</b>						
W Ryan	310,472	10,208	27,942	-	348,622	-
D Kennedy	42,000	-	3,780	-	45,780	-
A Simpson	42,000	-	3,780	-	45,780	-
C Hunter	42,000	-	3,780	-	45,780	-
M McAuliffe	10,500	-	945	-	11,445	-
A Haslam	172,308	-	22,400	537,161	731,869	73.40
<b>Executives</b>						
J Sobolewski	130,000	20,674	11,700	17,542	179,916	9.75
B Pertzel	219,707	-	19,144	-	238,851	-
P Rundel	173,333	13,408	15,600	122,796	325,137	37.77
<b>Total</b>	<b>1,142,320</b>	<b>44,290</b>	<b>109,071</b>	<b>677,499</b>	<b>1,973,180</b>	

\* The fair value of the options is calculated at the date of grant using a binomial option valuation model and allocated to each reporting period evenly over the period from the grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

During the reporting period, the following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise Price	Estimated Volatility	Risk Free Interest Rate
17 Sept 2008	17 Sept 2010	\$0.0620	\$0.40	75%	6.575%
21 Nov 2008	30 June 2011	\$0.0222	\$0.40	150%	5.25%
20 Feb 2009	20 Feb 2011	\$0.0195	\$0.12	138.45%	2.86%

During the previous reporting period, the following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise Price	Estimated Volatility	Risk Free Interest Rate
30 Jul 2007	30 Jul 2009	\$0.3661	\$0.80	60%	6.15%
18 Dec 2007	3 Jan 2011	\$0.3080	\$1.02	60%	6.5%
18 Dec 2007	3 Jan 2011	\$0.2837	\$1.15	60%	6.5%
18 Dec 2007	3 Jan 2011	\$0.2501	\$1.33	60%	6.5%

VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)

9. REMUNERATION REPORT (cont)

(c) Options granted as compensation – audited

	Number of options granted during 2009	Grant date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vesting during 2009
<b>Directors</b>						
A Haslam	1,500,000	21 Nov 2008	\$0.0222	\$0.40	30 June 2011	1,500,000
P Knowles	500,000	21 Nov 2008	\$0.0222	\$0.40	30 June 2011	500,000
<b>Executives</b>						
B Pertzel	400,000	20 Feb 2009	\$0.0195	\$0.12	20 Feb 2011	400,000
P Rundel	600,000	20 Feb 2009	\$0.0195	\$0.12	20 Feb 2011	600,000

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

(d) Exercise of options granted as compensation – audited

During the reporting period, there were no shares issued on the exercise of options previously granted as compensation.

(e) Analysis of options granted as compensation – audited

Details of vesting profiles of the options granted as remuneration to each key management person of the consolidated entity and each of the named executives are detailed below:

Options granted					
Directors	Number	Date	% vested	% forfeited	Financial years in which grant vests
A Haslam	1,500,000	21 Nov 2008	100%	-	30 June 2009
P Knowles	500,000	21 Nov 2008	100%	-	30 June 2009
<b>Executives</b>					
B Pertzel	400,000	20 Feb 2009	100%	-	30 June 2009
P Rundell	350,000	17 Sept 2008	100%	-	30 June 2009
P Rundel	600,000	20 Feb 2009	100%	-	30 June 2009

(f) Analysis of movements in options – audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the named executives are detailed below:

	Granted in year \$(A)	Value of Options Exercised in year \$(B)	Cancelled / Lapsed in year \$
<b>Directors</b>			
A Haslam	-	-	429,689
P Knowles	\$11,100	-	-
<b>Executives</b>			
B Pertzel	\$7,800	-	-
P Rundel**	\$11,700	-	5,339

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**9. REMUNERATION REPORT (cont)**

- (A) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option valuation model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- (B) The value of options exercised in the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

Replacement Options

\*On 11 December 2008, Andrew Haslam was issued 1,500,000 options expiring 30 June 2011 exercisable at \$0.40 to replace 3,500,000 options issued on 11 December 2007 exercisable at \$1.02 (1,000,000), \$1.15 (1,000,000) and \$1.33 (1,500,000).

\*\*On 17 September 2008, Paul Rundell was issued with 350,000 options expiring 17 September 2010 and exercisable at \$0.40 to replace 350,000 options issued on 30 July 2007 exercisable at \$0.80.

The balance of the original options have been expensed in the period, not the replacement options.

**10. DIRECTORS' INTERESTS**

As at the date of this Report the relevant interest of each director in the shares and options of the Company is as follows:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
W Ryan	1	6,125,000	-	-
A Simpson	-	1,001,750	-	-
P Benson	-	-	-	-

**11. DIRECTORS' MEETINGS**

The following directors' meetings (including meetings of committees of directors) were held during the period and the number of meetings attended by each of the directors during the year were:

Director	Directors' meetings held while a Director	Number of Directors' meetings attended	Number of Audit Committee meetings held whilst a director	Number of Audit Committee Meetings attended
W Ryan	21	21	-	-
D Kennedy	3	3	-	-
A Simpson	21	20	1	1
P Knowles	16	14	1	1
P Benson	3	3	-	-
A Haslam	18	18	-	-

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**12. OPTIONS**

No options have been granted since the end of the financial year.

As at the date of this report the following options were on issue:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,000,000	\$0.40	30 June 2011
2,000,000	\$0.12	20 February 2011
350,000	\$0.40	17 September 2010
250,000	\$0.80	30 July 2009

Options on issue were issued to the following parties:

Directors	2,000,000
Executives	1,350,000
Employees	1,250,000
<b>Total</b>	<b>4,600,000</b>

During the financial year 275,000 unlisted options lapsed unexercised and 3,850,000 options were cancelled. Since the end of the financial year 250,000 unlisted options lapsed unexercised.

**13. INSURANCE AND INDEMNITY OF OFFICERS**

The Company has entered into an agreement to indemnify all directors and the company secretary against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the officer or director.

During the period the Company has paid an insurance premium in respect of a Directors' and Officers' Liability Insurance Contract. The insurance premium relates to liabilities that may arise from an Officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policies are the Directors and the Company Secretary. The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of premium.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**14. CORPORATE GOVERNANCE**

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable; the Company has adopted the Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

The Company's corporate governance policy is available on the Company's website at [www.vitalmetals.com.au](http://www.vitalmetals.com.au). In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board's key roles are to:

- a) increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and
- b) ensure the Company is properly managed.

The Board is collectively responsible for promoting the success of the Company by:

- a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- b) ensuring the Company is properly managed;
- c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- d) approving the annual budget;
- e) monitoring the financial performance of the Company;
- f) approving and monitoring financial and other reporting;
- g) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- h) appointing the external auditor (where applicable, based on the recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointments made by the Board must be ratified by shareholders at the next Annual General Meeting of the Company;
- i) liaising with the Company's external auditors and Audit Committee; and
- j) monitoring and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

To assist in the execution of its responsibilities, the Board established an Audit Committee and an Audit Committee Charter. The Audit Committee Charter is available on the Company's website. The members of the Audit Committee during the year were:

- Andrew Simpson (Chair and non-executive director)
- Donald Kennedy (non-executive director) – Appointed 13 September 2007 and resigned 1 September 2008
- Peter Knowles (non-executive director) – Appointed 20 August 2008, resigned 24 April 2009.

The audit committee will ensure the external auditor has in place arrangements for rotation of the audit engagement partner every two years.

Given the board changes during the year, the audit committee comprised the full board at year end.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**14. CORPORATE GOVERNANCE (cont)**

The board composition changed during the year. At year end the majority of the board were not independent, with Mr Andrew Simpson being the only independent director who met the independence relationships stated in corporate governance principle 2.1. Mr Bill Ryan and Mr Paul Benson are, or are directors of, substantial shareholders and are therefore not independent. The CEO, Mr Andrew Haslam resigned during the year and that function has been performed by Mr Bill Ryan and senior executives.

The Board's policy is to perform annual verbal reviews of the effectiveness of the Board, its committees, individual directors, and senior executives. All directors have an opportunity to contribute to the review process. The performance criteria take into account each director's contribution to setting the direction, strategy and financial objectives of the group, and monitoring compliance with regulatory requirements and ethical standards. Given the changes to the board during the year, annual reviews did not occur.

The Board considers the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates and may take advice from an external consultant. The Board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

*Delegated Authority*

The Managing Director/CEO is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director/CEO must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

The Chief Executive Officer and Chief Financial Officer have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively, and that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

*Code of Conduct*

The Company's Code of Conduct is available on the Company's website. This Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive towards when dealing with each other, shareholders and the broad community.

*Share Trading Policy*

The Board has also adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information. The policy is available on the Company's website

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**14. CORPORATE GOVERNANCE (cont)**

*Communication with Shareholders*

The Board has adopted a strategy that aims to ensure that the shareholders are informed of all major developments affecting the Company. All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports. The Company also encourages full participation of shareholders at the Annual General Meeting of the Company.

*Continuos Disclosure*

The Company established written procedures to ensure compliance with ASX Listing Rule disclosure and accountability of senior executives for compliance. The policy can be found in the corporate governance policy on the Company's website.

*Risk Management*

*Overview of the Risk Management System*

The Board has established policies and practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity. The consolidated entity is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls. Instead, senior executives or a director, in accordance with company policy, approves all expenditure, is intimately acquainted with all operations and reports all relevant issues to the other directors at the directors' meetings. Senior management, as required by the board, has reported to the board, that the risks are being managed effectively.

The consolidated entity is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The financial controller and managing director have declared to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

**14. CORPORATE GOVERNANCE (cont)**

<b>Ref</b>	<b>Notification of Departure</b>	<b>Explanation for Departure</b>
1.3 2.6	Performance Evaluations	Evaluations of the Board, committees and executives did not occur during the year as set out above.
2.1	A majority of the Board should be independent directors.	One of the three directors in office at year end are considered to be independent. In view of the changes to the board, the size of the company and its activities the board considers that the current board is a cost effective and practical way method of directing and managing the company.
2.4	The Board should establish a nomination committee.	Currently, the Company has decided not to have a nomination committee given its size and scope. The Board, as a whole, serves to identify, appoint and review Board membership through an informal assessment process, facilitated by the Chairman in consultation with the Company's external professional advisors.
4.1 4.2 4.3	The Board should establish an audit committee. The audit committee should be structured so that it: (a) Consists only of non-executive directors (b) Consists of a majority of independent directors (c) Is chaired by an independent chair, who is not chair of the Board; and (d) Has at least three members. The audit committee should have a formal charter	The change of board members during the year necessitated the audit committee to comprise the full board. Given there are only three directors currently, there is no merit in establishing a separate audit committee. Until this situation changes the full Board will carry out any necessary audit committee functions.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	The Company has a small management team who interact with the directors on a regular basis and ensures constant communication of material business risks. The consolidated entity is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls
8.1	The Board should establish a remuneration committee.	The Company does not have a remuneration committee due its size. Its functions are carried out by the full board.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' REPORT (cont)**

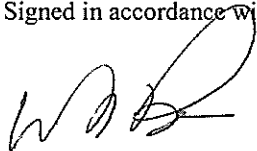
**15. NON-AUDIT SERVICES**

No non-audit services were provided during the financial year.

**16. LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT**

The Lead Auditor's Independence Declaration is attached as page 47 of the Financial Report and forms part of the Directors' Report for the period ended 30 June 2009.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'W J Ryan', is written over the text 'Signed in accordance with a resolution of the directors'.

W J Ryan  
Chairman

Dated: 29 September 2009

VITAL METALS LTD ( A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
		\$	\$	\$	\$
<b>Income</b>					
Sundry Income		5,458	1,000	5,458	1,000
Total income		<u>5,458</u>	<u>1,000</u>	<u>5,458</u>	<u>1,000</u>
<b>Expenses</b>					
Administration expenses		1,763,155	2,859,813	1,759,287	2,941,057
Exploration expenses					
Depreciation		182,295	156,120	71,193	74,001
Impairment of Exploration	13	15,846,395	-	-	-
Impairment of Financial Assets	10, 11	-	-	16,555,462	-
Plant & Equipment written off		35,000	-	35,000	-
Exploration expenses written off	13	-	328,297	-	328,297
Total expenses		<u>17,826,845</u>	<u>3,344,230</u>	<u>18,420,942</u>	<u>3,343,355</u>
Results from operating activities		<u>(17,821,387)</u>	<u>(3,343,230)</u>	<u>(18,415,484)</u>	<u>(3,342,355)</u>
Finance income		87,871	538,420	87,852	538,420
Finance expense		(847)	(4,964)	(386)	(3,102)
Loss before income tax expense		<u>(17,734,363)</u>	<u>(2,891,893)</u>	<u>(18,328,018)</u>	<u>(2,807,037)</u>
Income tax benefit	7	345,528	117,038	345,528	117,038
Loss attributed to equity holders of parent		<u>(17,388,835)</u>	<u>(2,774,855)</u>	<u>(17,982,490)</u>	<u>(2,689,999)</u>
<b>Cents per Share</b>					
Basic loss per share (cents per share)	28	(15.01)	(2.66)		
Diluted loss per share (cents per share)	28	(15.01)	(2.66)		

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

Attributable to equity holders of the parent

CONSOLIDATED	Issued	Accumulated	Other	Total
	Capital	Losses	Reserves	Equity
	\$	\$	\$	\$
At 1 July 2007	15,526,406	(2,847,826)	359,760	13,038,340
Loss for the period - total recognised expense	-	(2,774,855)	-	(2,774,855)
Share issues	13,503,750	-	-	13,503,750
Capital raising expenses	(721,338)	-	-	(721,338)
Exercise of options	1,196,000	-	-	1,196,000
Transfer of reserve upon exercise of options	-	317,001	(317,001)	-
Issue of options to directors and employees	-	-	756,072	756,072
At 1 July 2008	29,504,818	(5,305,680)	798,831	24,997,969
Loss for the period - total recognised expense	-	(17,388,835)	-	(17,388,835)
Share issues	846,435	-	-	846,435
Capital raising expenses	(14,566)	-	-	(14,566)
Exercise of options	-	-	-	-
Transfer of reserve upon expiry of options	-	51,162	(51,162)	-
Transfer of reserve upon cancellation of options	-	1,094,985	(1,094,985)	-
Issue of options to directors and employees	-	-	499,791	499,791
At 30 June 2009	<u>30,336,687</u>	<u>(21,548,368)</u>	<u>152,475</u>	<u>8,940,794</u>
<b>COMPANY</b>				
At 1 July 2007	15,526,406	(2,764,131)	359,760	13,122,035
Loss for the period - total recognised expense	-	(2,689,999)	-	(2,689,999)
Share issues	13,503,750	-	-	13,503,750
Capital raising expenses	(721,338)	-	-	(721,338)
Exercise of options	1,196,000	-	-	1,196,000
Transfer of reserve upon exercise of options	-	317,001	(317,001)	-
Issue of options to directors and employees	-	-	756,072	756,072
At 1 July 2008	29,504,818	(5,137,129)	798,831	25,166,520
Loss for the period - total recognised expense	-	(17,982,490)	-	(17,982,490)
Share issues	846,435	-	-	846,435
Capital raising expenses	(14,566)	-	-	(14,566)
Exercise of options	-	-	-	-
Transfer of reserve upon expiry of options	-	51,162	(51,162)	-
Transfer of reserve upon cancellation of options	-	1,094,985	(1,094,985)	-
Issue of options to directors and employees	-	-	499,791	499,791
At 30 June 2009	<u>30,336,687</u>	<u>(21,973,472)</u>	<u>152,475</u>	<u>8,515,690</u>

The accompanying notes form part of these financial statements

VITAL METALS LTD ( A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
BALANCE SHEETS AS AT 30 JUNE 2009

	Note	Consolidated		The Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	9	865,403	4,767,275	860,809	4,753,489
Trade and other receivables	10	91,968	299,726	76,851	122,810
<b>TOTAL CURRENT ASSETS</b>		<u>957,371</u>	<u>5,067,001</u>	<u>937,660</u>	<u>4,876,299</u>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	10	-	-	2,956,272	14,898,294
Investments	11	-	-	1,955,487	3,146,186
Property, plant and equipment	12	521,913	744,817	104,453	230,173
Intangible assets - exploration and evaluation	13	7,660,499	20,811,211	2,748,739	2,484,847
<b>TOTAL NON-CURRENT ASSETS</b>		<u>8,182,412</u>	<u>21,556,028</u>	<u>7,764,951</u>	<u>20,759,500</u>
<b>TOTAL ASSETS</b>		<u>9,139,783</u>	<u>26,623,029</u>	<u>8,702,612</u>	<u>25,635,799</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	148,196	1,492,684	136,129	352,301
Loans and borrowings	15	-	40,629	-	25,231
Provisions	16	50,793	91,747	50,793	91,747
<b>TOTAL CURRENT LIABILITIES</b>		<u>198,989</u>	<u>1,625,060</u>	<u>186,922</u>	<u>469,279</u>
<b>NON CURRENT LIABILITIES</b>					
Loans and borrowings	15	-	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>198,989</u>	<u>1,625,060</u>	<u>186,922</u>	<u>469,279</u>
<b>NET ASSETS</b>		<u>8,940,795</u>	<u>24,997,969</u>	<u>8,515,690</u>	<u>25,166,520</u>
<b>EQUITY</b>					
Share capital	17	30,336,687	29,504,818	30,336,687	29,504,818
Reserves	18	152,475	798,831	152,475	798,831
Accumulated losses	23	(21,548,367)	(5,305,680)	(21,973,472)	(5,137,129)
<b>TOTAL EQUITY</b>		<u>8,940,795</u>	<u>24,997,969</u>	<u>8,515,690</u>	<u>25,166,520</u>

The accompanying notes form part of these financial statements

VITAL METALS LTD ( A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
 STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated		The Company	
		30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
<b>Cash Flows from Operating Activities</b>					
Cash paid to suppliers and employees		(1,328,357)	(2,172,295)	(1,381,846)	(2,118,129)
Interest received		95,645	536,105	95,626	536,105
Other receipts		800	1,000	800	1,000
Interest paid		(847)	(4,964)	(386)	(3,102)
Income tax receipts		345,528	117,038	345,528	117,038
Net cash used in operating activities	27	<u>(887,231)</u>	<u>(1,523,116)</u>	<u>(940,278)</u>	<u>(1,467,088)</u>
<b>Cash Flows from Investing Activities</b>					
Security bonds		32,000	10,000	30,971	10,000
Acquisition of property, plant and equipment		(59,541)	(373,810)	(45,287)	(61,724)
Proceeds of disposal of property, plant and equipment		30,972	-	30,972	-
Payment for exploration expenditure		(3,809,313)	(8,912,231)	(352,953)	(1,210,446)
Loans to subsidiaries		-	-	(3,422,741)	(8,043,824)
Net cash used in investing activities		<u>(3,805,882)</u>	<u>(9,276,041)</u>	<u>(3,759,038)</u>	<u>(9,305,994)</u>
<b>Cash Flows from Financing Activities</b>					
Net proceeds from issue of share capital		831,869	12,784,736	831,869	12,784,736
Proceeds from exercise of share options		-	1,196,000	-	1,196,000
Lease payout		(40,629)	-	(25,231)	-
Net cash provided by/(used in) financing activities		<u>791,240</u>	<u>13,980,736</u>	<u>806,638</u>	<u>13,980,736</u>
Net increase/(decrease) in cash held		(3,901,873)	3,181,579	(3,892,678)	3,207,654
Cash at 1 July		<u>4,767,275</u>	<u>1,585,696</u>	<u>4,753,489</u>	<u>1,545,835</u>
Cash at 30 June	9	<u>865,402</u>	<u>4,767,275</u>	<u>860,811</u>	<u>4,753,489</u>

The accompanying notes form part of these financial statements

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 1. REPORTING ENTITY**

Vital Metals Ltd (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.

The accounting policies have been applied consistently by all entities in the consolidated entity.

**NOTE 2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial reports of the consolidated entity and the Company also comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors on 21st September 2009.

**(b) Going Concern**

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The consolidated entity has incurred a net operating loss after tax for the year ended 30 June 2009 of \$17,388,835 including an impairment expense of \$15,846,395 and share based payments expense of \$499,792 (2008: \$2,774,855 including \$756,072 share based payments expense) and experienced net cash outflows of \$3,901,873 (2008: cash inflows of \$3,181,579).

A Share Purchase Plan was closed on 23 January 2009 and raised a total of \$410,000. In April 2009 the directors completed a placement of equity to Aragon Resources Limited (Aragon) raising \$436,250. In addition, a convertible note has been issued to Aragon for \$500,000 on 7 July 2009. The issue and terms of these notes was approved by shareholders on 3 July 2009.

However, the Directors recognise that the ability of the Company and the consolidated entity to continue as going concerns and to pay their debts as and when they fall due is dependent on the ability of the Company to secure further working capital by the issue of additional equity, debt, the sale of non-core assets, farm out of tenement asset obligations, or a combination of any or all of those alternatives. The Directors consider the going concern basis of preparation to be appropriate and are confident that the Company will successfully raise additional funds in the future to meet its financial obligations and/or farm out commitments as necessary. However, should adequate funding not be available there is significant uncertainty as to whether the Company and Consolidated Entity will continue as a going concern, and therefore may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report.

**(c) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 2. BASIS OF PREPARATION (cont)**

**(d) Functional and presentation of currency**

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the entities it controls.

**(e) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 7 Income taxes
- Note 13 Intangible assets
- Note 29 Measurement of share based payments
- Note 1(b) Going Concern

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of consolidation**

*Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

*Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

*Interests in joint venture operations*

The consolidated entity's interest in its joint venture operation is accounted for by recognising the consolidated entity's share of assets and liabilities from the joint venture, as well as expenses incurred by the consolidated entity and the consolidated entity's share of income earned from the joint venture, in the consolidated financial statements.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(b) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit and loss as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

*Leased Assets*

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

*Subsequent costs*

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

*Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Buildings	over 10 years
Plant and equipment	over 3 to 20 years
Office equipment	over 3 to 20 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

*Derecognition*

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(c) Intangibles - Exploration & evaluation expenditure**

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 3(e)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

**(d) Financial Instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash at bank, short-term bills and call deposits.

**(e) Impairment**

*Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(e) Impairment (cont)**

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and exploration and evaluation (3(c)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(f) Share capital**

*Ordinary Shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(g) Employee benefits**

**(1) Share-based payment transactions**

The consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period the relevant employees become fully entitled to the award (“vesting period”). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(2) Defined contribution superannuation funds**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as a personnel expense in the income statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**(3) Short term benefits**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employee’s services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating monetary benefits, such as medical care, and motor vehicles, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

**(h) Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

*Site restoration*

The Company provides for the future cost of rehabilitating its exploration sites in accordance with the environmental and legal obligations imposed on the tenements. A provision for restoration is required to be brought to account as soon as there is a probable outflow of resources that can be measured reliably. Provisions for restoration are based on the discounted cash flow of expected future cost.

The amount of the provision for future restoration costs is capitalised and is depreciated. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(i) Leases**

*Operating Lease payments*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are recognised over the term of the lease on the same basis as the lease expense.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

*Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(j) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

**(k) Finance income**

Finance income comprises interest income earned on funds invested in bank accounts and call deposits. Interest is recognised on an accruals basis in the income statement, using the effective interest method.

**(l) Income tax**

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(l) Income tax (cont)**

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

*Tax consolidation*

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 3 October 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Vital Metals Ltd.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

*Nature of tax funding arrangements and tax sharing arrangements*

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any recognised tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(m) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of the GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(n) Segment reporting**

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

**(o) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* and amending standard AASB 2008-3 changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.
- AASB 8 *Operating Segments* and amending standard AASB 2007-3 introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the consolidated entity presents segment information in respect of its business and geographical segments.
- Revised AASB 101 *Presentation of Financial Statements* and amending standard AASB 2007-8 introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASB's. The revised AASB 101 will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's disclosures.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**(o) New standards and interpretations not yet adopted (cont)**

- Revised AASB 123 *Borrowing Costs* and amending standard AASB 2007-6 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the consolidated entity's 30 June 2010 financial statements and will constitute a change in accounting policy for the consolidated entity. In accordance with the transitional provisions the consolidated entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The consolidated entity has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* and amending standard AASB 2008-3 changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity's financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the amending standard on the consolidated entity's financial report.
- As part of the annual improvement project amending standards AASB 2008-5 and AASB 2008-6 have been issued and is mandatory for financial years ending 31 December 2009 and 30 June 2010 respectively. The consolidated entity has not yet determined the potential effects of the revised standards on the consolidated financial report.
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* addresses issues that have arisen in practice related to the accounting for investments in subsidiaries, jointly controlled entities and associates in separate financial statements at cost. The standard is mandatory for financial years ending 31 December 2009. The consolidated entity has not yet determined the potential effects of the revised standards on the consolidated financial report.
- AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17* (effective 1 July 2009) AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Company will apply the interpretation prospectively from 1 July 2009. To date there have not been any distributions.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4. DETERMINATION OF FAIR VALUES**

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Share-based payment transactions*

The fair value of employee share options is measured using a binomial option valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

**NOTE 5. FINANCIAL RISK MANAGEMENT**

*Overview*

The Company and consolidated entity have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's and consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Company and the consolidated entity do not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed on a continuous basis. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the consolidated entity through regular reviews of the risks.

*Credit Risk*

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Currently the consolidated entity's exposure to credit risk is via cash and cash equivalents and trade and other receivables. Cash and cash equivalents are held with Commonwealth Bank of Australia which is an Australian bank with a AA credit rating (Standard & Poor's). The majority of the receivables relate to GST credits receivable from the ATO and security deposits held by state mines departments.

*Liquidity Risk*

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
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The consolidated entity manages liquidity risk by maintaining adequate cash reserves to cover working capital from funds raised in the market and by continuously monitoring forecast and actual cash flows. The consolidated entity does not have any external borrowings (refer note 2 b).

*Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Capital Management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. The Board's focus has been to raise sufficient funds through equity (via rights issues and placements) to fund exploration and evaluation activities. The Board monitors capital on the basis of the gearing ratio, however there are no external borrowings at balance date. There were no changes in the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$

NOTE 6 - OTHER INCOME AND EXPENSES

The following significant revenue and expense items not separately highlighted in the Income Statement are relevant in explaining the financial performance:

Expenses

Depreciation of non-current assets in administration expenses				
- land and buildings	6,628	6,629	6,628	6,629
- leased plant and equipment	10,252	20,503	10,252	20,503
- plant and equipment	53,181	44,119	53,181	44,119
- office equipment	1,830	2,750	1,830	2,750
Total Depreciation	<u>71,891</u>	<u>74,001</u>	<u>71,891</u>	<u>74,001</u>
Personnel expenses				
- Wages and salaries	571,893	874,410	571,893	874,410
- Contributions to defined contribution superannuation funds	52,069	92,187	52,069	92,187
- Other associated personnel expenses	133,401	209,526	133,401	209,526
- Equity settled share based payment transactions	499,792	756,072	499,792	756,072
Total personnel expenses	<u>1,257,156</u>	<u>1,932,195</u>	<u>1,257,156</u>	<u>1,932,195</u>

NOTE 7 - INCOME TAX EXPENSE

a) The major components of income tax expense are:

Income Statement

Current income tax				
Current income tax benefit	1,366,187	3,561,433	609,229	1,079,214
Deferred income tax				
Relating to origination and reversal of temporary differences	3,942,070	(2,682,111)	(89,514)	(240,132)
Unused tax losses not recognised as DTA *	(5,308,257)	(879,322)	(519,715)	(839,082)
Tax rebate from R&D activities	345,528	117,038	345,528	117,038
Income tax benefit reported in the income statement	<u>345,528</u>	<u>117,038</u>	<u>345,528</u>	<u>117,038</u>

The aggregate amount of income tax attributable to the financial period differs from the amount calculated on the operating loss. The differences are recorded as follows:

Accounting Loss	<u>(17,734,363)</u>	<u>(2,891,893)</u>	<u>(18,328,018)</u>	<u>(2,807,037)</u>
Prima facie tax benefit at 30%	(5,320,309)	(867,568)	(5,498,405)	(842,111)
Add tax effect of:				
Non - deductible items	11,966	3,030	11,966	3,030
Tax losses not brought to account	5,308,257	879,322	519,715	839,081
Tax effect of consolidations (prior year adjustment)	86	(14,784)	86	-
Tax rebate from R&D activities	345,528	117,038	345,528	117,038
Income tax benefit	<u>345,528</u>	<u>117,038</u>	<u>(4,621,110)</u>	<u>117,038</u>

\* An amount of \$141,493 (Parent: \$141,492) is directly offset against equity.

VITAL METALS LTD ( A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
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NOTE 7 - INCOME TAX EXPENSE (cont)

b) Deferred income tax

Deferred income tax at 30 June relates to the following:

CONSOLIDATED	Balance Sheet	
	2009 \$	2008 \$
<i>Deferred tax liabilities</i>		
Depreciation	34,625	46,708
Exploration	1,182,490	5,127,703
Other	857	3,130
Set-off of tax assets	<u>(1,217,972)</u>	<u>(5,177,541)</u>
	-	-
<i>Deferred tax assets</i>		
Tax value of loss carry forwards	7,932,123	6,598,446
Set-off to deferred tax liability	(1,217,972)	(5,177,541)
Accrued expenses	13,500	15,000
Provisions	15,238	22,025
Non-recognition of deferred taxes	(6,742,889)	(1,460,395)
Other prepayments	-	2,465
	<u>-</u>	<u>-</u>
<b>THE COMPANY</b>		
<i>Deferred tax liabilities</i>		
Movements in depreciation	-	339
Exploration	663,499	584,332
Receivables	607	2,939
Set off tax assets	<u>(664,106)</u>	<u>(587,610)</u>
	-	-
<i>Deferred tax assets</i>		
Tax value of loss carry forwards	2,545,853	1,969,133
Other prepayments	4,480	2,465
Accrued expenses	13,500	15,000
Provisions	15,238	22,025
Non-recognition of deferred taxes	(1,914,965)	(1,421,013)
Set off to deferred tax liability	<u>(664,106)</u>	<u>(587,610)</u>
	-	-

c) Tax Losses

At 30 June 2009, Vital Metals consolidated entity has \$26,440,411 (2008: \$21,994,820 ) of tax losses that are available indefinitely for offset against future taxable profits of the consolidated entity. No deferred tax asset has been recognised on the Balance Sheet in respect of the amount of these losses.

*Unrecognised deferred tax balances*

	Consolidated		The Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Deferred tax assets</i>				
Tax losses - revenue	7,932,123	6,598,446	2,545,853	1,969,133
Tax losses - capital	-	-	-	-
	<u>7,932,123</u>	<u>6,598,446</u>	<u>2,545,853</u>	<u>1,969,133</u>

The potential deferred tax asset will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company and / or the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997.
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

d) Tax Consolidation Legislation

Vital Metals Ltd and its controlled entities implemented the tax consolidations legislation as of 4 October 2005. The Australian Tax Office was notified of this decision on lodgement of the 2006 income tax return.

The controlled entities have been fully compensated for all deferred tax assets and liabilities transferred to Vital Metals Ltd on the date of implementation of the legislation. The entities have also entered into a tax sharing and compensation agreement. Under the terms of this agreement, the wholly owned entities reimburse Vital Metals Ltd for any current income tax payable or receivable by Vital Metals Ltd arising in respect of their activities. The reimbursements are payable or receivable at the same time as the associated income tax liabilities fall due or refunds are receivable and have therefore been recognised as a current tax related receivable or payable (where applicable) by Vital Metals Ltd. The group has decided to use the "Separate taxpayer within group" approach in accordance with UIG 1052 in order to account for the current and deferred tax amounts amongst the entities within the consolidated group.

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 NOTES TO THE FINANCIAL STATEMENTS  
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	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 8 - AUDITOR'S REMUNERATION</b>				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing of the financial reports	<u>45,350</u>	<u>36,169</u>	<u>45,350</u>	<u>36,169</u>

No non-audit services were performed during 2008 or 2009.

**NOTE 9 - CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	32,186	312,552	27,592	298,766
Call deposits	<u>833,217</u>	<u>4,454,723</u>	<u>833,217</u>	<u>4,454,723</u>
Cash and cash equivalents in the statement of cash flows	<u>865,403</u>	<u>4,767,275</u>	<u>860,809</u>	<u>4,753,489</u>

**NOTE 10 - TRADE AND OTHER RECEIVABLES**

<b>Current</b>				
Other trade receivables	25,258	210,025	22,141	45,109
Security deposits	58,731	89,701	46,731	77,701
Prepayments	<u>7,979</u>	<u>-</u>	<u>7,979</u>	<u>-</u>
	<u>91,968</u>	<u>299,726</u>	<u>76,851</u>	<u>122,810</u>
<b>Non-Current</b>				
Amount receivable from controlled entities (Note 22)	-	-	18,321,035	14,898,294
Impairment	<u>-</u>	<u>-</u>	<u>(15,364,763)</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>2,956,272</u>	<u>14,898,294</u>

The amount receivable from controlled entities has been impaired consistent with the impairment of the carrying values of exploration and evaluation assets (note 13) which are held in subsidiaries.

**NOTE 11 - INVESTMENTS**

In the financial statements of the Company, investments in subsidiaries are accounted for at cost and included with other financial assets.

The Company has the following investments in subsidiaries:

	Class	Country of Incorporation	Investment At Cost	
			2009 \$	2008 \$
<b>Parent Entity</b>				
Vital Metals Ltd	Ord	Australia	-	-
<b>Controlled Entities (100%)</b>				
North Queensland Tungsten Pty Ltd	Ord	Australia	1,645,465	1,645,465
Mount Alexander Resources Pty Ltd	Ord	Australia	1,500,721	1,500,721
Impairment			<u>(1,190,699)</u>	<u>-</u>
			<u>1,955,487</u>	<u>3,146,186</u>

The investments in controlled entities have been impaired consistent with the impairment of the carrying values of exploration and evaluation assets (note 13)

VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
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	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 12 - PROPERTY, PLANT AND EQUIPMENT</b>				
Buildings				
At cost	262,242	262,242	66,290	66,290
Accumulated depreciation	(90,591)	(64,367)	(23,201)	(16,572)
Total land and buildings	171,651	197,875	43,089	49,718
Plant and Equipment*				
At cost	683,899	607,605	204,368	185,429
Accumulated depreciation	(349,902)	(158,682)	(157,276)	(75,110)
	333,997	448,923	47,091	110,319
Leased Plant & Equipment				
Capitalised Lease Assets	-	145,954	-	102,516
Accumulated depreciation	-	(66,158)	-	(48,484)
	-	79,796	-	54,032
Total plant and equipment	333,997	528,719	47,091	164,351
Office equipment				
At cost	25,675	25,675	23,393	23,393
Accumulated depreciation	(9,410)	(7,452)	(9,120)	(7,289)
Total office equipment	16,265	18,223	14,273	16,104
Total property, plant and equipment	521,913	744,817	104,453	230,173

\*The majority of plant and equipment is utilised in the consolidated entity's exploration and evaluation activities (note 3).

**Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Land and Buildings	Leased Plant & Equipment	Plant and Equipment	Office Equipment	Total
<b>The Company:</b>					
Balance at 1 July 2007	56,347	74,535	92,970	16,675	240,527
Acquisitions	-	-	61,468	2,179	63,647
Depreciation expense	(6,629)	(20,503)	(44,119)	(2,750)	(74,001)
Balance at 30 June 2008	49,718	54,032	110,319	16,104	230,173
Acquisitions			6,787		6,787
Leased assets paid out		(18,438)	18,438		
Depreciation expense	(6,629)	(10,252)	(53,181)	(1,831)	(71,893)
Disposals		(25,342)	(972)		(26,314)
Written off			(34,300)		(34,300)
Carrying amount at 30 June 2009	43,089	-	47,091	14,273	104,453
<b>Consolidated:</b>					
Balance at 1 July 2007	211,399	107,610	203,404	17,525	539,938
Acquisitions	12,552	1,214	343,686	3,547	360,999
Depreciation expense	(26,076)	(29,028)	(98,167)	(2,849)	(156,120)
Balance at 30 June 2008	197,875	79,796	448,923	18,223	744,817
Acquisitions			20,706		20,706
Leased assets paid out		(39,857)	39,857		
Depreciation expense	(26,225)	(14,597)	(140,216)	(1,956)	(182,994)
Disposals		(25,342)	(972)		(26,314)
Written off			(34,300)		(34,300)
Carrying amount at 30 June 2009	171,650	-	333,998	16,267	521,915

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	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 13 - INTANGIBLE ASSETS</b>				
<b>Non-Current</b>				
Exploration & Evaluation Expenditure				
Costs carried forward				
in respect of areas of interest in:				
<b>Exploration and Evaluation Phases:</b>				
Opening balance at 1 July	20,811,211	11,736,994	2,484,847	1,559,914
Exploration expenditure	2,695,682	9,402,514	2,748,739	1,253,230
Impairment	(15,846,395)	-	-	-
Exploration expenditure written off	-	(328,297)	-	(328,297)
Closing balance at 30 June	<u>7,660,499</u>	<u>20,811,211</u>	<u>5,233,586</u>	<u>2,484,847</u>

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

The Group undertakes at least on an annual basis a comprehensive review for indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts. The key areas of estimation and judgement may include (i) recent drill results and reserves and resource estimates, fundamentals and economic factors such as commodity prices, exchange rates and current and anticipated operating costs in the industry, the Group's market capitalisation compared to its net assets and independent valuations that may be available.

**Watershed**

The Company recently completed a preliminary feasibility study (Study) for the Watershed Tungsten Project (the Project). The Study includes an estimated net present value cashflow model for the estimated life of the Project. The Directors have assessed the recoverable amount of the Project using the outcomes from the Study derived from key assumptions including a discount rate of 15%, average longer term USD exchange rate of \$0.72 and average long term tungsten prices of US\$225/mtu.

The Directors have assessed an appropriate estimate of the Project recoverable amount to be \$6,224,658. Accordingly an impairment expense for the period of \$14,383,602 has been recognised.

**Other Exploration Assets**

The Directors have also assessed the carrying value of the Company's other exploration areas of interest. Where exploration efforts have not yet reached a stage where a reliable estimate of the future potential of those areas can be made, the Directors have determined that, in the current economic environment and in light of the restricted cash resources presently available to the Company to fund continuing exploration, a reduction in carrying value to estimated recoverable amount is appropriate. Estimated recoverable amount is principally based on the directors' estimate of fair value less cost to sell.

The resulting carrying value of the Consolidated Entity's other exploration assets is \$1,435,840 and an impairment expense of \$1,462,793 has been recognised.

**NOTE 14 - TRADE AND OTHER PAYABLES**

Trade creditors and accruals	148,196	1,492,684	136,129	352,301
	<u>148,196</u>	<u>1,492,684</u>	<u>136,129</u>	<u>352,301</u>

**NOTE 15 - LOANS AND BORROWINGS**

**Current**

Finance lease liabilities (Note 24)	-	40,629	-	25,231
	<u>-</u>	<u>40,629</u>	<u>-</u>	<u>25,231</u>

**Non-Current**

Finance lease liabilities (Note 24)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**NOTE 16 - PROVISIONS**

**Current**

Employee benefits				
Liability for annual leave	50,793	91,747	50,793	91,747
	<u>50,793</u>	<u>91,747</u>	<u>50,793</u>	<u>91,747</u>

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	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 17 - SHARE CAPITAL</b>				
<b>Ordinary shares</b>				
At the beginning of the reporting period	29,504,818	15,526,406	29,504,818	15,526,406
Shares issued during the year				
11,000,000 on 4 July 2007 (ii)		6,600,000		6,600,000
300,000 on 10 July 2007 (i)		200,000		200,000
1,000,000 on 10 July 2007 (i)		60,000		60,000
11,506,250 on 14 August 2007 (iii)		6,903,750		6,903,750
70,000 on 12 October 2007 (i)		14,000		14,000
500,000 on 12 November 2007 (i)		100,000		100,000
25,000 on 17 December 2007 (i)		5,000		5,000
500,000 on 18 January 2008 (i)		100,000		100,000
350,000 on 29 February 2008 (i)		70,000		70,000
350,000 on 6 March 2008 (i)		70,000		70,000
25,000 on 2 May 2008 (i)		5,000		5,000
160,000 on 12 May 2008 (i)		32,000		32,000
800,000 on 21 May 2008 (i)		160,000		160,000
330,000 on 26 May 2008 (i)		66,000		66,000
160,000 on 17 June 2008 (i)		32,000		32,000
1,410,000 on 30 June 2008 (i)		282,000		282,000
231 on 3 September 2009 (i)	185		185	
6,833,293 on 30 January 2009 (iv)	410,000		410,000	
17,450,000 on 17 April 2009 (ii)	436,250		436,250	
Less: Capital raising expenses	(14,566)	(721,338)	(14,566)	(721,338)
At reporting date	<u>30,336,687</u>	<u>29,504,818</u>	<u>30,336,687</u>	<u>29,504,818</u>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(i) Share Options exercised (Note 29).

(ii) Share placement.

(iii) Rights Issue (One new share for every eight shares held, with one free attaching new option for every two new shares).

(iv) Share Placement Plan.

	Consolidated		The Company	
	2009	2008	2009	2008
	No	No	No	No
<b>Number of shares</b>				
At the beginning of the reporting period	109,536,253	81,050,003	109,536,253	81,050,003
Shares issued during year				
4 July 2007		11,000,000		11,000,000
10 July 2007		300,000		300,000
10 July 2007		1,000,000		1,000,000
14 August 2007		11,506,250		11,506,250
12 October 2007		70,000		70,000
12 November 2007		500,000		500,000
17 December 2007		25,000		25,000
18 January 2008		500,000		500,000
29 February 2008		350,000		350,000
6 March 2008		350,000		350,000
2 May 2008		25,000		25,000
12 May 2008		160,000		160,000
21 May 2008		800,000		800,000
26 May 2008		330,000		330,000
17 June 2008		160,000		160,000
30 June 2008		1,410,000		1,410,000
3 September 2009	231		231	
30 January 2009	6,833,293		6,833,293	
17 April 2009	17,450,000		17,450,000	
At reporting date	<u>133,819,777</u>	<u>109,536,253</u>	<u>133,819,777</u>	<u>109,536,253</u>

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	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 18 - RESERVES</b>				
Option premium reserve (a)				
Balance at 1 July	-	103,180	-	103,180
Transfer of reserve upon exercise of options	-	(103,180)	-	(103,180)
Balance at 30 June	-	-	-	-
Share based payment reserve (b)				
Balance at 1 July	798,831	256,580	798,831	256,580
Transfer of reserve upon exercise of options	-	(213,821)	-	(213,821)
Cancelled during the year	(1,094,985)	-	(1,094,985)	-
Lapsed during the year	(51,162)	-	(51,162)	-
Issue of options to employees	499,792	756,072	499,792	756,072
Balance at 30 June	152,476	798,831	152,476	798,831
	152,476	798,831	152,476	798,831

(a) The option premium reserve relates to the cost of options issued to stock brokers.

(b) The share based payment reserve relates to the cost of options issued to employees and directors.

**NOTE 19 - COMMITMENTS**

**Mineral Tenement Commitments**

The consolidated entity has certain minimum obligations in pursuance of the terms and conditions of tenement licences in the forthcoming year. Whilst these obligations are capable of being varied from time to time, in order to maintain current rights of tenure to mining tenements, the economic entity will be required to outlay in 2009/10 amounts of approximately \$612,400 (2007/2008: \$674,960). These obligations are expected to be fulfilled in the normal course of operations.

**NOTE 20 - FINANCIAL INSTRUMENTS**

(a) **Credit Risk Exposures**

The credit risk on financial assets of the Company and consolidated entity which have been recognised on the Balance Sheets is generally the carrying amount, net of any provisions for impairment losses. The types of credit risk exposures are discussed in Note 5.

(b) **Interest Rate Risk Exposures**

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2009	Weighted Average Interest rate	Notes	Variable Interest rate	Fixed Interest rate	Non-Interest Bearing	Total
<b>Financial Assets</b>						
Cash and cash equivalents	2.66%	9	865,403	-	-	865,403
Trade and other receivables	-	10	-	-	91,968	91,968
			865,403	-	91,968	957,371
<b>Financial Liabilities</b>						
Trade and other payables	-	14	-	-	148,196	148,196
Finance Lease	-	15	-	-	-	-
Net financial assets / (liabilities)			865,403	-	(56,228)	809,176
<b>2008</b>						
2008	Weighted Average Interest rate	Notes	Variable Interest rate	Fixed Interest rate	Non-Interest Bearing	Total
<b>Financial Assets</b>						
Cash and cash equivalents	6.97%	9	4,767,275	-	-	4,767,275
Trade and other receivables	-	10	-	-	299,726	299,726
			4,767,275	-	299,726	5,067,001
<b>Financial Liabilities</b>						
Trade and other payables	-	14	-	-	1,492,684	1,492,684
Finance Lease	8.06%	15	-	40,629	-	40,629
Net financial assets / (liabilities)			4,767,275	(40,629)	(1,192,958)	3,533,688

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NOTE 20 - FINANCIAL INSTRUMENTS (cont)

(b) Interest Rate Risk Exposures (cont)

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss and equity	
	25 bp increase	25 bp decrease
<b>Consolidated</b>		
30 June 2009		
Variable rate instruments	2,164	(2,164)
30 June 2008		
Variable rate instruments	11,918	(11,918)
<b>Company</b>		
30 June 2009		
Variable rate instruments	2,152	(2,152)
30 June 2008		
Variable rate instruments	11,884	(11,884)

(c) Net Fair Value of Financial Assets and Liabilities

The carrying amounts of all financial assets and liabilities equal their respective net fair values at balance date.

On-balance Sheet

The net fair value of cash, cash equivalents, non interest bearing monetary financial assets and financial liabilities of the Company and consolidated entity equal their carrying value.

(d) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

Consolidated 30 June 2009	Carrying amount \$	Contractual cash flows \$	6 months or less \$	6-12 months \$	1-2 years \$
<b>Non-derivative financial liabilities</b>					
Finance lease liabilities	-	-	-	-	-
Trade and other payables	148,196	148,196	148,196	-	-
	<u>148,196</u>	<u>148,196</u>	<u>148,196</u>	<u>-</u>	<u>-</u>
<b>Consolidated 30 June 2008</b>					
<b>Non-derivative financial liabilities</b>					
Finance lease liabilities	40,629	42,075	24,148	17,927	-
Trade and other payables	1,492,684	1,492,684	1,492,684	-	-
	<u>1,533,313</u>	<u>1,534,759</u>	<u>1,516,832</u>	<u>17,927</u>	<u>-</u>
<b>The Company 30 June 2009</b>					
<b>Non-derivative financial liabilities</b>					
Finance lease liabilities	-	-	-	-	-
Trade and other payables	136,129	136,129	136,129	-	-
	<u>136,129</u>	<u>136,129</u>	<u>136,129</u>	<u>-</u>	<u>-</u>
<b>The Company 30 June 2008</b>					
<b>Non-derivative financial liabilities</b>					
Finance lease liabilities	25,231	26,070	16,145	9,925	-
Trade and other payables	352,301	352,301	352,301	-	-
	<u>377,532</u>	<u>378,371</u>	<u>368,446</u>	<u>9,925</u>	<u>-</u>

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**NOTE 21 - SEGMENT REPORTING**

The consolidated entity operates in one business and geographical segment being mineral exploration and prospecting for minerals in Australia.

**NOTE 22 - RELATED PARTY TRANSACTIONS**

**KEY MANAGEMENT PERSONNEL DISCLOSURES**

- (a) The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period

**Parent Entity Directors**

William Ryan  
 Andrew Simpson  
 Paul Benson (Appointed 17 April 2009)  
 A Haslam (Resigned 24 April 2009)  
 Colin Hunter (Resigned 8 July 2008)  
 D. Ross Kennedy (Resigned 1 September 2008)  
 Peter Knowles (Appointed 20 August 2008,  
 resigned 24 April 2009)

**Executives**

John Sobolewski (Resigned 22 January 2009)  
 Paul Rundel  
 Bruce Pertzell  
 Ian Hobson (Appointed 22 January 2009)

- (b) **Key management personnel compensation**

The key management personnel compensation included in employee benefit and director compensation expenses are as follows:

	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short term employee benefits *	842,073	1,186,610	842,073	1,186,610
Post employment benefits **	73,238	109,071	73,238	109,071
Equity compensation benefits	465,628	677,499	465,628	677,499
	<u>1,380,939</u>	<u>1,973,180</u>	<u>1,380,939</u>	<u>1,973,180</u>

\* \$ 295,423 (2008: \$393,040) was capitalised as exploration and evaluation expenditure.

\*\* \$26,588 (2008: \$34,744) was capitalised as exploration and evaluation expenditure.

- (c) **Individual directors and executives compensation disclosures**

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors interests existing at year end.

- (d) **Other key management personnel transactions with the Company or its controlled entities**

The following key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions on an arms-length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

		Consolidated		The Company	
	Transaction	2009	2008	2009	2008
		\$	\$	\$	\$
Key management persons					
Andrew Simpson	Marketing fees (i)	4,293	30,151	4,293	30,151
Mark McAuliffe (Resigned 13 September 2007)	Legal fees (ii)	-	17,869	-	17,869

- (i) During the year an entity associated with Mr Simpson was paid \$4,293 (2008: \$30,151) for consultancy services provided on normal commercial terms and conditions.

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NOTE 22 - RELATED PARTY TRANSACTIONS (cont)

(e) Options and Rights Holdings

Number of Options held by Directors and Executives

	Balance 1.07.08	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.06.09
<b>Parent Entity Directors</b>					
William Ryan	312,500	-	-	(312,500)	-
Andrew Simpson	27,875	-	-	(27,875)	-
Paul Benson (Appointed 17 April 2009)	-	-	-	-	-
A Haslam ** (Resigned 24 April 2009)	3,503,125	1,500,000	-	(3,503,125)	1,500,000
Colin Hunter ** (Resigned 8 July 2008)	-	-	-	-	-
D. Ross Kennedy ** (Resigned 1 September 2008)	25,000	-	-	-	25,000
Peter Knowles ** (Appointed 20 August 2008, resigned 24 April 2009)	-	500,000	-	-	500,000
<b>Executives</b>					
John Sobolewski ** (Resigned 22 January 2009)	50,000	-	-	-	50,000
Paul Rundel	350,000	600,000	-	-	950,000
Bruce Pertzelt	7,188	400,000	-	-	407,188
Ian Hobson (Appointed 22 January 2009)	-	-	-	-	-
	<u>4,275,688</u>	<u>3,000,000</u>	<u>-</u>	<u>(3,843,500)</u>	<u>3,432,188</u>
	Balance 1.07.07	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.06.08
<b>Parent Entity Directors</b>					
William Ryan	312,500	-	-	-	312,500
D. Ross Kennedy (Resigned 1 September 2008)	25,000	-	-	-	25,000
Andrew Simpson	27,875	-	-	-	27,875
Andrew Haslam	3,503,125	-	-	-	3,503,125
Colin Hunter ** (Resigned 8 July 2008)	-	-	-	-	-
Mark McAuliffe ** (Resigned 13 September 2007)	531,875	-	-	-	531,875
<b>Executives</b>					
John Sobolewski	50,000	-	-	-	50,000
Paul Rundel	350,000	-	-	-	350,000
Bruce Pertzelt	7,188	-	-	-	7,188
	<u>4,807,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,807,563</u>

All options that have vested are exercisable.

\*\* Final holding represents holding at date of resignation

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NOTE 22 - RELATED PARTY TRANSACTIONS (cont)

(f) Shareholdings

Number of shares held by Directors and Executives

	Balance 1.07.08	Received as Remuneration	Options Exercised	Net Change Other *	Balance 30.06.09
<b>Parent Entity Directors</b>					
William Ryan	6,125,001	-	-	-	6,125,001
Andrew Simpson	1,001,750	-	-	-	1,001,750
Paul Benson (Appointed 17 April 2009)	-	-	-	-	-
A Haslam ** (Resigned 24 April 2009)	63,250	-	-	-	63,250
Colin Hunter ** (Resigned 8 July 2008)	900,000	-	-	-	900,000
D. Ross Kennedy ** (Resigned 1 September 2008)	950,000	-	-	-	950,000
Peter Knowles ** (Appointed 20 August 2008, resigned 24 April 2009)	-	-	-	-	-
<b>Executives</b>					
John Sobolewski ** (Resigned 22 January 2009)	110,000	-	-	-	110,000
Paul Rundel	-	-	-	11,500	11,500
Bruce Pertzelt	233,375	-	-	-	233,375
Ian Hobson (Appointed 22 January 2009)	-	-	-	-	-
	<u>9,383,376</u>	<u>-</u>	<u>-</u>	<u>11,500</u>	<u>9,394,876</u>
	Balance 1.07.07	Received as Remuneration	Options Exercised	Net Change Other *	Balance 30.06.08
<b>Parent Entity Directors</b>					
William Ryan	5,000,001	-	500,000	625,000	6,125,001
D. Ross Kennedy	400,000	-	500,000	50,000	950,000
Andrew Simpson	446,000	-	500,000	55,750	1,001,750
Andrew Haslam	-	-	-	63,250	63,250
Colin Hunter ** (Resigned 8 July 2008)	400,000	-	500,000	-	900,000
Mark McAuliffe ** (Resigned 13 September 2007)	510,001	-	-	63,749	573,750
<b>Executives</b>					
John Sobolewski	-	-	200,000	(90,000)	110,000
Paul Rundel	-	-	-	-	-
Bruce Pertzelt	115,000	-	350,000	(231,625)	233,375
	<u>6,871,002</u>	<u>-</u>	<u>2,550,000</u>	<u>536,124</u>	<u>9,957,126</u>

\* Net change other refers to shares purchased and sold during the financial year.

\*\* Final holding represents holding at date of resignation

OTHER RELATED PARTY DISCLOSURES

g) Loans to 100% controlled entities	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Receivables (Note 10)				
Mount Alexander Resources Pty Ltd	-	-	276,491	206,990
North Queensland Tungsten Pty Ltd	-	-	18,044,545	14,691,304
Less impairment	-	-	(15,364,763)	-
	<u>-</u>	<u>-</u>	<u>2,956,273</u>	<u>14,898,294</u>

Loans outstanding between the Company and its controlled entities have no fixed date of repayment and are non-interest bearing. Loans to controlled entities were primarily for the purpose of funding exploration and evaluation activities by those entities. The recoverability of the carrying amount of exploration and evaluation assets and ultimately the loans to and investments in controlled entities is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

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	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 23 - ACCUMULATED LOSSES</b>				
Accumulated losses at the beginning of the financial year	(5,305,680)	(2,847,826)	(5,137,129)	(2,764,131)
Loss for the year	(17,388,835)	(2,774,855)	(17,982,490)	(2,689,999)
Transfer of reserves upon exercise of options		317,001		317,001
Transfer from reserve upon cancellation of options	1,094,985		1,094,985	
Transfer from reserve on expiry of options	51,162		51,162	
Accumulated losses at the end of the financial year	<u>(21,548,368)</u>	<u>(5,305,680)</u>	<u>(21,973,472)</u>	<u>(5,137,129)</u>

**NOTE 24 - LEASING COMMITMENTS**

a) Finance Lease Commitments (i)

Payable				
- not later than 1 year	-	42,075	-	26,070
- later than 1 year but not later than 5 years	-	-	-	-
Minimum lease payments		<u>42,075</u>		<u>26,070</u>
Less future finance charges	-	(1,446)	-	(839)
Total Lease Liability	-	<u>40,629</u>	-	<u>25,231</u>

(i) The consolidated entity's finance lease liabilities are secured by the leased assets, as in the event of default, the leased assets revert to the lessor. Leased assets are disclosed in Note 12.

b) Operating Lease Commitments

Leases as lessee				
Payable				
- not later than 1 year	84,004	80,832	84,004	80,832
- later than 1 year but not later than 5 years	<u>118,210</u>	<u>113,755</u>	<u>118,210</u>	<u>113,755</u>
Total Lease Liability	<u>202,214</u>	<u>194,587</u>	<u>202,214</u>	<u>194,587</u>

**NOTE 25 - JOINT VENTURES**

The Consolidated Entity has interests in the following joint ventures:

Tenement Area	Activities	Participation Interest		Carrying Value	
		2009	2008	2009	2008
				\$	\$
Mt Mulgine	Tungsten/Molybdenum	70%	70%	1,116,385	1,436,553

The carrying value in the above joint ventures represents exploration expenditure and is included in the total of \$7,660,499 (2008: \$20,811,211) at Note 13. This exploration expenditure has been accounted for in accordance with Note 3(c).

In order to earn 70% of the Mt Mulgine Joint Venture, the Company was required to sole fund \$750,000 of exploration costs within 3 years from the date the Company listed on the ASX. As at 30 June 2009, a total of \$1,334,000 (excluding acquisition costs) has been incurred.

**NOTE 26 - CONTINGENT LIABILITIES**

Department of Industry & Resources

Performance Bonds totalling \$14,500 (2008: \$24,500) have been granted in favour of the Department of Industry & Resources.

VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated 2009 \$	2008 \$	The Company 2009 \$	2008 \$
<b>NOTE 27 - RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash flows from operating activities</b>				
Loss for the year	(17,388,834)	(2,774,855)	(17,982,489)	(2,689,999)
Non-cash flows in profit:-				
Profit on Sale of Asset	(4,658)		(4,658)	
Depreciation	182,295	156,120	71,193	74,001
Options issue expense	499,792	756,072	481,142	756,072
Impairment - exploration	15,846,395	82,865		89,912
Impairment - intercompany receivable			15,846,395	
Plant written off	35,000		35,000	
Exploration expenses written off	-	328,297	-	328,297
Changes in working capital and provisions:-				
Decrease / (Increase) in other trade receivables	64,393	5,082	6,080	719
Increase / (Decrease) in trade creditors and accruals	(121,613)	(76,697)	(120,658)	(26,090)
Net cash used in operating activities	<u>(887,230)</u>	<u>(1,523,116)</u>	<u>(1,667,995)</u>	<u>(1,467,088)</u>

**NOTE 28 - EARNINGS PER SHARE**

a) **Basic Earnings per Share**

The calculation of basic earnings per share for the year ended 30 June 2009 was based on the loss attributable to ordinary shareholders of \$17,388,835 (30 June 2008: \$2,774,855) and a weighted number of ordinary shares outstanding during the year ended 30 June 2009 of 115,883,785 (2008: 104,266,646) calculated as follows:

	Consolidated 2009	2008
Loss for the period	(17,388,835)	(2,774,855)
Loss attributable to ordinary shareholders	<u>(17,388,835)</u>	<u>(2,774,855)</u>
	Number of shares	
	2009	2008
Issued ordinary shares at 1 July 2008	109,536,253	81,050,003
Effect of shares issued on 4 July 2007		10,879,781
Effect of shares issued on 10 July 2007		1,264,481
Effect of shares issued on 14 August 2007		10,091,547
Effect of shares issued on 12 October 2007		50,109
Effect of shares issued on 12 November 2007		315,574
Effect of shares issued on 17 December 2007		13,388
Effect of shares issued on 18 January 2008		224,044
Effect of shares issued on 29 February 2008		116,667
Effect of shares issued on 6 March 2008		110,929
Effect of shares issued on 2 May 2008		4,030
Effect of shares issued on 12 May 2008		21,421
Effect of shares issued on 21 May 2008		87,432
Effect of shares issued on 26 May 2008		31,557
Effect of shares issued on 17 June 2008		5,683
Effect of shares issued on 30 June 2008	-	-
Effect of shares issued on 3 September 2008	189	
Effect of shares issued on 30 January 2009	2,819,201	
Effect of shares issued on 17 April 2009	3,528,142	
Weighted average number of ordinary shares at 30 June 2009	<u>115,883,785</u>	<u>104,266,646</u>

b) **Diluted Earnings per Share**

As the group has made a loss for the year the options have no dilutive effect. Therefore, diluted earnings per share is equal to basic earnings per share.

VITAL METALS LTD ( A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 29 - SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The Vital Metals Ltd Share Option Plan was approved in April 2005.

The issue to each individual Employee, Key Employee or Director is controlled by virtue of the provisions of both the Share Plan and the Australian Stock Exchange Limited Listing Rules. Under the Share Scheme the number of shares an eligible person will be entitled to receive each year will be determined by the Board of Directors in their sole discretion.

Employees, key employees and directors are entitled to take up ordinary shares at a cost determined by the Board with regard to the market value of the shares when the Board resolves to offer the Option.

During the year:

1. 350,000 employee options were cancelled and re-issued on 17 September 2008;
2. 150,000 employee options expired unexercisable on 14 November 2008;
3. 3,500,000 options issued to the director, Andrew Haslam, were cancelled on 11 December 2008;
4. 1,500,000 options were issued to the director, Andrew Haslam, on 11 December 2008;
5. 500,000 options were issued to the director, Peter Knowles, on 11 December 2008;
6. 125,000 employee options expired unexercisable on 14 January 2009; and
7. 2,000,000 employee options were issued to employees on 20 February 2009.

The closing market price of an ordinary share of Vital Metals Ltd on the Australian Stock Exchange at 30 June 2009 was \$0.055 (2008: \$0.46).

	Consolidated		The Company	
	2009 No	2008 No	2009 No	2008 No
(b) Movement in the number of share options held by employees are as follows:				
Opening Balance	4,375,000	4,305,000	4,375,000	4,305,000
Granted during the year	4,350,000	4,100,000	4,350,000	4,100,000
Exercised during the year	-	(3,980,000)	-	(3,980,000)
Cancelled during the year	(3,850,000)	-	(3,850,000)	-
Lapsed during the year	(275,000)	(50,000)	(275,000)	(50,000)
Closing balance	<u>4,600,000</u>	<u>4,375,000</u>	<u>4,600,000</u>	<u>4,375,000</u>

(c) Details of share options exercised during the year:

During the year, nil (2008:3,980,000) employee options were exercised (2008: \$0.20 per share). 150,000 employee options with an exercise price of \$0.55 per share and 125,000 employee options with an exercise price of \$0.60 per share lapsed during the year.

	Consolidated		The Company	
	2009 No	2008 No	2009 No	2008 No
(d) Details of share options outstanding as at end of year:				
	Grant Date	Expiry Date	Exercise Price	
	14-Nov-06	14-Nov-08	\$0.55	-
	9-Jan-07	9-Jan-09	\$0.60	150,000 (i)
	9-Jan-07	9-Jan-09	\$0.60	62,500 (ii)
	9-Jan-07	9-Jan-09	\$0.60	62,500 (iii)
	30-Jul-07	30-Jul-09	\$0.80	125,000 (iv)
	30-Jul-07	30-Jul-09	\$0.80	300,000 (v)
	18-Dec-07	3-Jan-11	\$1.02	1,000,000 (vi)
	18-Dec-07	3-Jan-11	\$1.15	1,000,000 (vii)
	18-Dec-07	3-Jan-11	\$1.33	1,500,000 (viii)
	17-Sep-08	17-Sep-10	\$0.40	350,000 (i)
	21-Nov-08	30-Jun-11	\$0.40	2,000,000 (i)
	20-Feb-09	20-Feb-11	\$0.12	2,000,000 (i)
				<u>4,600,000</u>
				<u>4,375,000</u>
				<u>4,600,000</u>
				<u>4,375,000</u>

- (i) Vest immediately.  
 (ii) Vest on 9 July 2007.  
 (iii) Vest on 9 January 2008.  
 (iv) Vest on 30 January 2008.  
 (v) Vest on 30 July 2008.  
 (vi) Vest on 3 July 2008.  
 (vii) Vest on 3 April 2009.  
 (viii) Vest on 3 January 2010.

Optionholders have no voting or dividend rights until shares are allotted pursuant to the exercise of the relevant options.

VITAL METALS LTD ( A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2009

NOTE 29 - SHARE BASED PAYMENTS (cont)

(e) Employee expenses	Consolidated		The Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Share options granted in 2007 - equity settled (i)	-	8,404	-	8,404
Share options granted in 2008 - equity settled (i)	-	747,668	-	747,668
Share options granted in 2009 - equity settled (i)	499,792	-	499,792	-
Total expense recognised as employee costs	<u>499,792</u>	<u>756,072</u>	<u>499,792</u>	<u>756,072</u>

Grant Date	Number of Options	Expiry Date (Expected Life)	Fair value per option \$	Exercise price \$	Estimated volatility	Risk free interest rate
9 January 2007	175,000	9 January 2009	0.1921	0.60	75%	6.15%
14 November 2006	150,000	14 November 2008	0.1810	0.55	75%	5.85%
30 July 2007	600,000	30 July 2009	0.3661	0.80	60%	6.15%
18 December 2007	1,000,000	3 January 2011	0.3080	1.02	60%	6.50%
18 December 2007	1,000,000	3 January 2011	0.2837	1.15	60%	6.50%
18 December 2007	1,500,000	3 January 2011	0.2501	1.33	60%	6.50%
17 September 2008	350,000	17 September 2010	0.0620	0.40	75%	6.58%
21 November 2008	2,000,000	30 June 2011	0.0222	0.40	150%	5.25%
20 February 2009	2,000,000	20 February 2011	0.0195	0.12	138%	2.86%

NOTE 30 - DIVIDENDS

No dividends were paid during the period and the Directors do not recommend the payment of a dividend.

NOTE 31 - SUBSEQUENT EVENTS

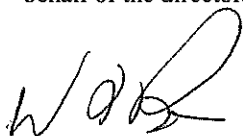
On 3 July 2009, the shareholders approved that the Company issue a convertible note for \$500,000 with Aragon Resources Limited. The note was issued on 7 July 2009. The key terms are:

- 1 The Note is unsecured and is repayable on 2 July 2012;
- 2 Aragon may convert the whole or part into Shares on or before 2 July 2012;
- 3 The conversion price per share is the higher of \$0.04 or 80% of the one month volume weighted average price of shares prior to their conversion;
- 4 Interest accrues at the rate of 6% per annum, calculated daily and payable quarterly in arrears; and
- 5 The note is not convertible during the first 12 months after it is issued.

**VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2009**

- 1 In the opinion of the directors of Vital Metals Ltd ('the Company'):
  - (a) the financial statements and notes and the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2009 and of their performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a); and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  
- 2 The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2009 pursuant to Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



W Ryan  
Director

Dated: 29 September 2009



*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Vital Metals Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG*

KPMG

A handwritten signature in black ink, appearing to be 'T Hart', written over the printed name.

T Hart  
*Partner*

Perth

29 September 2009



## **Independent auditor's report to the members of Vital Metals Ltd**

### **Report on the financial report**

We have audited the accompanying financial report of Vital Metals Ltd (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



*Auditor's opinion*

In our opinion:

(a) the financial report of Vital Metals Ltd is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

**Material uncertainty regarding continuation as a going concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matter described in Note 2(b), the Company and Group is reliant upon raising additional funds to enable it to continue with its operations. Because of this and the matters referred to in note 2(b), there is material uncertainty which may cast significant doubt as to whether the Company and the Group will be able to continue as a going concern and therefore whether they will be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the remuneration report**

We have audited the Remuneration Report included in Section 9 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Vital Metals Ltd for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

T Hart  
Partner

Perth

29 September 2009

VITAL METALS LTD (A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2009

SHAREHOLDERS INFORMATION  
 AS AT 21 SEPTEMBER 2009

1 The total number of issued fully paid ordinary shares was 133,819,777.

The distribution of holdings was:	Fully paid ordinary shares
1 - 1,000	79
1,001 - 5,000	343
5,001 - 10,000	296
10,001 - 100,000	727
100,001 - and over	165
<b>Total</b>	<b>1,610</b>

Voting rights Full

Each ordinary share is entitled to one vote per share when a poll is called, otherwise each shareholder has one vote on a show of hands. Option holders have no voting rights.

3 The number of holders of less than a marketable parcel of fully paid shares is 456.

4 Substantial shareholders are Aragon Resources Ltd with 17,450,000 shares being 13.04% of the issued capital, Consolidated Minerals Ltd with 14,275,377 shares being 9.40% of the issued capital, Stanley Macdonald with 8,500,000 shares being 6.35% of the issued capital.

5 Top 20 Shareholders

Name	Fully paid ordinary shares	% Held of Issued Ordinary Capital
Aragon Resources Limited	17,450,000	13.04
Consolidated Minerals Ltd	12,576,627	9.40
Stanley Allan Macdonald	8,500,000	6.35
Breamlea Pty Ltd	5,929,016	4.43
Rytech Pty Ltd	4,225,000	3.16
Graham Riley	4,000,000	2.99
National Nominees Limited	2,505,706	1.87
Wythenshawe Pty Ltd	2,311,112	1.73
Zoobaba PL	2,000,000	1.49
Isny PL	1,925,131	1.44
ANZ Nominees Ltd	1,899,772	1.42
Consolidated Minerals Ltd	1,698,750	1.27
AustAsia Resources PL	1,583,333	1.18
Avela Pty Ltd	1,000,000	0.75
Little Tagon PL	950,000	0.71
Fairclough PL	790,625	0.59
BT Portfolio SVCS Ltd	784,805	0.59
Beaugemma Pty Ltd	757,722	0.57
Kingslane Pty Ltd	750,000	0.56
McAuliffe Administration	725,000	0.54
	<b>72,362,599</b>	<b>54.08</b>

Unquoted Equity Securities	Number on Issue	Number of Holders
Options exercisable at 40 cents	2,350,000	3
Options exercisable at 12 cents	2,000,000	5
Holders of more than 20% of 40 cent options: Andrew Haslam	1,500,000	
Holders of more than 20% of 12 cent options: Paul Rundell	600,000	
Terrence Bourke	400,000	
Alpha Unicorn Company Pty Ltd	400,000	
Newton Pelfatt	400,000	

VITAL METALS LTD ( A.C.N. 112 032 596) AND CONTROLLED ENTITIES  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2009

INTERESTS IN MINING TENEMENTS  
 AS AT 11 SEPTEMBER 2008

6 Schedule of Interests in Mining Tenements

Location	Tenement	Percentage held
Mt Mulgine	M59/566	70% Interest in Tungsten and Molybdenum Rights
Mt Mulgine	E59/1057	70% Interest in Tungsten and Molybdenum Rights
Mt Mulgine	M59/386	70% interest in Tungsten and Molybdenum Rights
Mt Mulgine	M59/387	70% Interest in Tungsten and Molybdenum Rights
Mt Mulgine	M59/425	70% Interest in Tungsten and Molybdenum Rights
Mt Mulgine	P59/1083	70% interest in Tungsten and Molybdenum Rights
Mt Mulgine	P59/1084	70% Interest in Tungsten and Molybdenum Rights
Mt Mulgine	P59/1086	70% Interest in Tungsten and Molybdenum Rights
Mt Mulgine	P59/1087	70% interest in Tungsten and Molybdenum Rights
Mt Alexander	E08/1074	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	E08/1410	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	E08/1411	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	P08/469	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	P08/470	100% Interest in Tungsten and Molybdenum Rights
Watershed	MDL 127	100% Interest
Watershed	EPM 14735	100% Interest in Tungsten and Molybdenum Rights
Watershed	EPM 15064	100% Interest
Mt Mulgine	P59/1086	70% Interest in Tungsten and Molybdenum Rights
Mt Mulgine	P59/1087	70% Interest in Tungsten and Molybdenum Rights
Mt Alexander	E08/1074	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	E08/1410	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	E08/1411	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	P08/469	100% Interest in Tungsten and Molybdenum Rights
Mt Alexander	P08/470	100% Interest in Tungsten and Molybdenum Rights
Watershed	MDL 127	100% Interest
Watershed	EPM 14735	100% Interest in Tungsten and Molybdenum Rights
Watershed	EPM 15064	100% Interest