Vital Metals Limited

ABN 32 112 032 596

Annual Financial Report

for the year ended 30 June 2018

Corporate Information

ABN 32 112 032 596

Directors
Mark Strizek (Managing Director)
Francis Harper (Non-Executive Chairman)
Peter Cordin (Non-Executive Director)
Andrew Simpson (Non-Executive Director)

Company Secretary
Matthew Foy

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Share Register
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7 Ventnor Ave
WEST PERTH WA 6005
Telephone: (08) 9324 2099
Facsimile: (08) 9321 2337

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Bankers
Westpac Banking Corporation
140 St Georges Terrace
PERTH WA 6000

Internet Address
www.vitalmetals.com.au

Stock Exchange Listing
Vital Metals Limited shares are listed on the Australian Securities Exchange (ASX code: VML).

Contents

Chairman's Letter

Dear Shareholder,

I am pleased to present the 2018 Annual Report for Vital Metals Limited (ASX: VML).

The past year saw the Company strengthen its financial position considerably, primarily through the sale of its Watershed tungsten project in Queensland for $15 million. The sale price was negotiated as broadly equivalent to the then market capitalisation of the Company. The sale was announced in May 2018 and completed in August 2018.. The sale followed a focussed but unsuccessful effort to attract offtakers for the project in order to secure project finance. Vital's remaining exploration assets are under review.

There were some changes to our Board during 2018, with former Chairman David Macoboy retiring after more than seven years on the Board. David played an important role in the development of the Watershed Project and the DFS completed for the project, and we thank him for that contribution. I would like to thank my fellow Directors, as well as our Management and Staff, for their ongoing efforts

Vital has placed itself in a very strong financial position in a weak equity market for junior explorers. Our intention is to carefully conserve our cash position in a market where a large number of projects are being shown to us as project valuations continue to fall.

Francis Harper

Francis Harper
Chairman

Directors' Report

Your Directors submit their report on the Consolidated Entity (referred to hereafter as the Group) consisting of Vital Metals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mark Strizek, BSc., MAusIMM, Managing Director
Mr Strizek holds a Bachelor of Science from Macquarie University and is a qualified geologist with over 16 years' experience in the mining industry. He is a Member of the Australasian Institute of Mining and Metallurgy. He has worked in open pit operations and exploration in Western Australia and Queensland. He has also worked with Hellman & Schofield Pty Ltd as a consulting geologist, developing resource models in commodities such as gold, iron ore, nickel and manganese. Prior to joining the Group, he worked with the Mineralogy group of companies where he was involved in project development of iron ore, coal and petroleum resources in both Australia and Papua New Guinea. Mr Strizek is also a non-executive director of Tietto Minerals Limited.

Andrew Simpson, Grad Dip. Bus (Curtin), MAICD, Non-Executive Director, Chairman of Audit Committee

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.

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.

Mr Simpson is non-executive Chairman of Swick Mining Services Ltd and Symbol Mining Ltd. He is the former non-executive Chairman of Territory Resources Ltd and India Resources Ltd. Mr Simpson is a Member of the Australian Institute of Company Directors.

Peter Cordin, BE, MIEAust, FAusIMM (CP), Non-Executive Director, Member of Audit Committee

Mr Cordin is a civil engineer with over 40 years' experience in the evaluation and operation of resource projects within Australia and overseas. He is the former Executive Chairman of Dragon Mining Limited which operated gold mines in Sweden and Finland. He has direct experience in the management of diamond and gold operations and has been involved in the development of resource projects in Kazakhstan and New Caledonia.

Mr Cordin is also a non-executive director of MC Mining Limited and Aurora Minerals Limited.

David Macoboy, BEcon, BComm (UWA), (Resigned 2 July 2018)

Mr Macoboy holds a Bachelor of Economics and a Bachelor of Commerce from the University of WA. David was a Fellow of the Australian Institute of Company Directors and a Certified Practicing Accountant. He is a former Chairman of Ammtec Limited, AVZ Minerals Limited and Territory Resources Ltd and has served on numerous other boards. He has not held any directorships of other listed companies in the past three years.

Francis Harper LLB (Hons) B.Ec (appointed Chairman 2 August 2018)
Mr Harper has extensive experience in West African mining, having served as Chairman and as a major shareholder of West African Resources Limited between 2009 and 2015.He is also a founding director of Blackwood Capital, which has raised over $1 billion for smaller companies over the last 15 years.

Mr Harper is also non-executive Chairman of Tietto Minerals Limited.

COMPANY SECRETARY

Matthew Foy, BComm, ACIS, MAICD (appointed 17 November 2017)

Matthew was previously a senior adviser at the ASX facilitating the compliance of listed companies. Matthew possesses core competencies in publicly listed and unlisted company secretarial and governance disciplines. His expertise is in corporate, commercial and securities law with an emphasis on capital raisings and mergers and acquisitions. He contributes general corporate and legal skills along with a strong knowledge of the ASX requirements.

Ian Hobson, Bbus, FCA, AICS, MAICD (resigned 17 November 2017)

Mr Ian Hobson holds a bachelor of business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretarial, corporate, management and accounting services to a number of listed public companies involved in the resource, services, technology and biomedical industries.

Directors' Report continued

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Vital Metals Limited were:

	Ordinary Shares	Options over Ordinary Shares
Mark Strizek	3,173,964	50,438,023
Andrew Simpson	1,684,375	5,168,733
Peter Cordin	6,931,116	5,168,733
Francis Harper	15,422,225	28,750,000

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were mineral exploration in Niger and in Burkina Faso, West Africa.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

The consolidated loss of the Group after providing for income tax amounted to $3,253,430 (2017: $4,961,426).

OPERATIONS REVIEW

Vital Metals Limited (ASX:VML) is an explorer and developer holding a portfolio of gold, technology metals and base metals. Our projects are located across a range of jurisdictions in West Africa and Germany.

Bouli Gold Project – Niger

The Bouli Gold Project is a portfolio of three highly prospective gold permits in Niger, West Africa covering 4,289km² held by a subsidiary of SUMMA (a private Turkish company). Vital is working to earn interest in the project via the funding of an exploration work program.

Nahouri Gold Project – Burkina Faso

The Nahouri Gold Project (100% Vital) is located in southern Burkina Faso. The Project is made up of three contiguous permits; the Nahouri, Kampala and Zeko exploration permits. The Project is located in highly prospective Birimian Greenstone terrain with 400 sq km of contiguous tenements lying on the trend of the Markoye Fault Corridor.

Aue Project – Germany

The Aue Project (100% Vital) is located in the western Erzgebirge area of the German state of Saxony. The permit, comprising an area of 78 sq km is located in the heart of one of Europe's most famous mining regions surrounded by several world class mineral fields. Historical mining and intensive exploration work carried out between from the 1940's and 1980's showed high prospectivity of the Aue permit area for cobalt, tungsten, tin, uranium and silver mineralisation.

Directors' Report continued

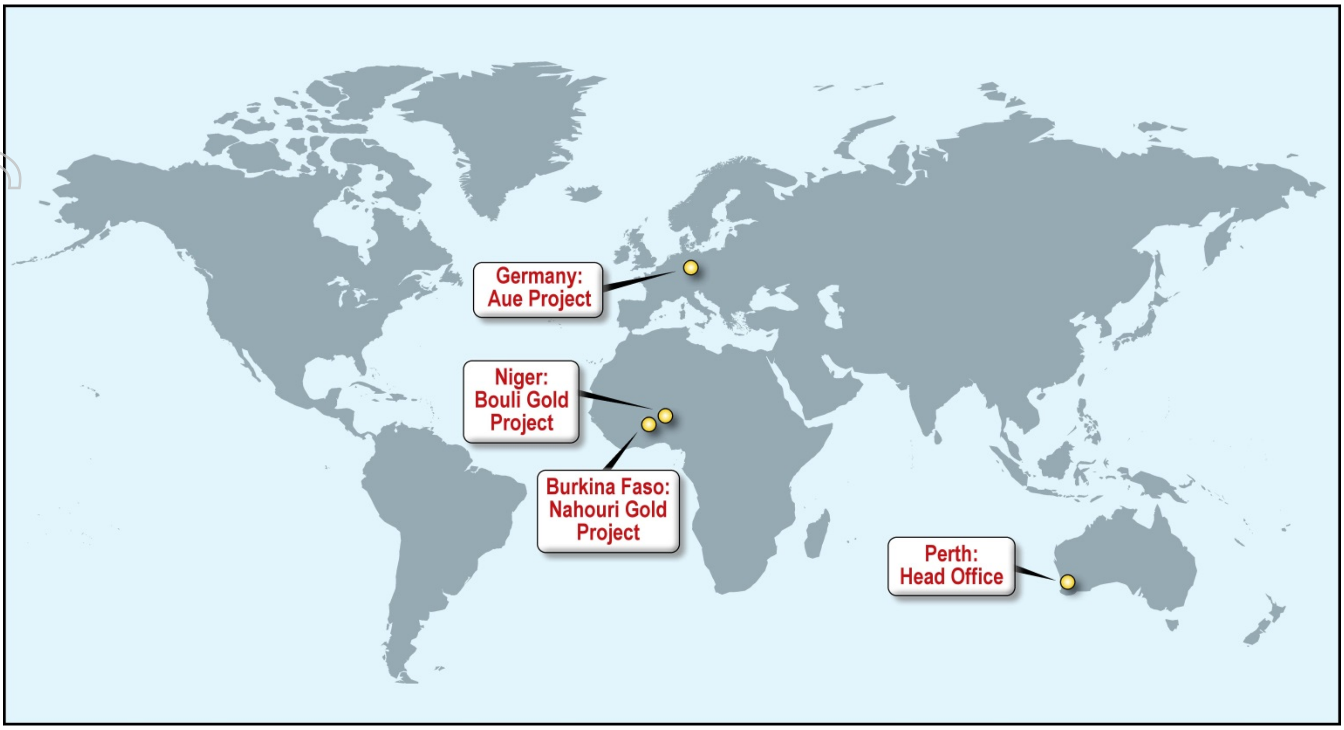

Figure 1: Project Locations Map

Bouli Gold Project, Niger, West Africa
Vital Metals signed an Exploration Agreement with SUMMA, a private Turkish company, to begin exploration on exploration permits in Niger, West Africa. SUMMA has a broad range of multi-jurisdictional interests.

The Agreement covers three exploration permits (4,289km² in total) held by a subsidiary of SUMMA. Two permits, Bouli and Tringui-3, are located 20km north of the Samira Hill mine near the Burkina Faso border, while the third permit, Keradet is in the Agadez region in northern Niger and has not received any significant exploration work. Work is most advanced on the Bouli permit where exploration drilling has intersected bedrock gold mineralisation at three prospects: Petit Druirkou, Burke Burke and Issa.

At Bella Tondi, located about 5km north-east of Burke Burke on Bouli, there had been significant hard rock artisanal mining over 1.5km strike length involving up to 20,000 people. These artisanal workers were moved on by the government, allowing Vital free access to undertake exploration.

Under terms of the Agreement with SUMMA, Vital had to undertake initial six-month work program, after which it could elect to proceed or withdraw from the agreement. In July, Vital announced it would proceed with an agreement to earn 50% of the project, having spent more than $1 million on exploration at Bouli, completing aeromagnetic surveys and drilling, predominately at the Bella Tondi prospect. Vital's exploration at Bella Tondi has identified an emerging high-grade gold zone, with visible core detected in core samples. In proceeding with the agreement, announced in October 2017, Vital will spend an additional $5 million on exploration over two years to earn 50% of the project. On the establishment of a 50/50 joint venture, Vital can acquire SUMMA's stake for a 2.5% gross revenue royalty.

Exploration
Previous limited diamond drilling by SUMMA in 2017 on several prospects returned high-grade gold intercepts including:

- 17.9m @ 7.92 g/t Au from 57.2m
- 1.6m @ 16.58 g/t Au from 63.7m
- 7.1m @ 2.73 g/t Au from 16.0m
- 5.8m @ 2.60 g/t Au from 45.8m
- 4.1m @ 3.20 g/t Au from 77.0m.

Vital commenced a 3,000m reverse circulation (RC) drill program at the Bella Tondi prospect in December 2017.

Vital reported an ultra-high-grade intercept of 4m @ 157 g/t Au from 76m in hole BTRC040 associated with an emerging high-grade southern zone at Bella Tondi which extends for at least 200 metres. Other results included:

- BTRC040: 10m @ 63.5 g/t Au from 74m incl. 4m @ 157 g/t Au from 76m
- BTRC005B: 8m @ 10.3 g/t Au from 62m including 2m @ 36.5g/t Au from 62m
- BTRC029: 15m @ 3.1 g/t Au from 56m, ending in mineralisation
- BTRC022B: 2m @ 13.1 g/t Au from 83m
- BTRC026: 8m @ 2.9 g/t Au from 46m

Directors' Report continued

- BTRC041: 2m @ 9.9 g/t Au from 64m

RC drilling intersected multiple voids down hole at Bella Tondi, thought to represent where higher grade material was mined by artisanal workers.

Vital reported further results from Bella Tondi which identified more high-grade gold. They included:
- BTRC047: 20m @ 5.79 g/t Au from 100m including 2m@ 48.4 g/t Au from 102m, ending in mineralisation
- BTRC043: 8m @ 1.2 g/t Au from 12m
- BTRC045: 2m @ 2.4 g/t Au from 74m
- BTRC048: 6m @ 1.9 g/t Au from 52m.

Vital commenced a diamond drilling program at Bella Tondi in the June quarter, with the aim of testing the continuity of high-grade gold mineralisation down to a vertical depth of 150m. Visible gold in diamond drill core was reported in BTRD004, drilled under the ultra-high-grade result of 4m at 157g/t Au. Visible gold was also identified in drill core from BTRD006 at a relatively shallow 115m down-hole. Significant drilling results included:
- BTRC047: 20m @ 5.79 g/t Au from 100m to EOH including 2m @ 48.4g/t Au
- BTRD004: 8m @ 7.26 g/t Au from 195m incl 2m @ 26.7 g/t Au
- BTRD006: 5.87m @ 5.68 g/t Au from 109m
- BTRC048: 6m @ 1.92 g/t Au from 52m
- BTRC043: 8m @ 1.25 g/t Au from 12m

Cyanide leach analysis of RC chip samples previously analysed by fire assay was undertaken in Ouagadougou to test the leachability of the gold mineralisation at Bella Tondi. Samples covered a wide range of gold grades from sub-mineralised to ultra-high grade. The results were extremely encouraging with a good correlation between the original fire assay and cyanide leach assay for the mineralisation located within the Bella Tondi Shear Zone. Vital is planning further metallurgical testing.

At the Petit Druirkou prospect, Vital reported results which intersected thick envelopes of gold mineralisation from seven RC holes drilled to test structural mineralisation and RAB anomalies. PDRC003 intersected 13m @ 1.6 g/t Au from 38m, part of a broader envelope of 27m @ 0.9 g/t Au from 24m. Higher grade intercepts from the RC holes included:
- PDRC003: 13m @ 1.6 g/t Au from 38m
- PDRC007: 6m @ 1.2 g/t Au from 0m
- PDRC002: 2m @ 2.0 g/t Au from 132m

There was good correlation between the new RC drilling and previous diamond drilling, with PDRC003 reporting 13m @ 1.6g/t Au from 38m compared to BDD031, located 40m north, which reported 10m @ 1.67 g/t Au from 31m. Vital will need to undertake further exploration to assess the potential of gold mineralisation at Petit Druirkou.

Airborne geophysical survey
Vital contracted Xcalibur Airborne Geophysics (PTY) Ltd to carry out an airborne geomagnetics program with a total line length of 9,060km with a nominal 100m line spacing over the Bouli tenement package and 50m infill spacing above the Bella Tondi trend. The airborne survey advanced Vital's understanding and prospectivity of the Bouli project.

Interpretation of the survey data identified more than 20 gold targets with a combined strike of more than 20km located in favourable structural settings and supported in many cases with positive gold grades from historical geochemistry. Vital is reviewing the data to identify the highest priority targets.

Directors' Report continued

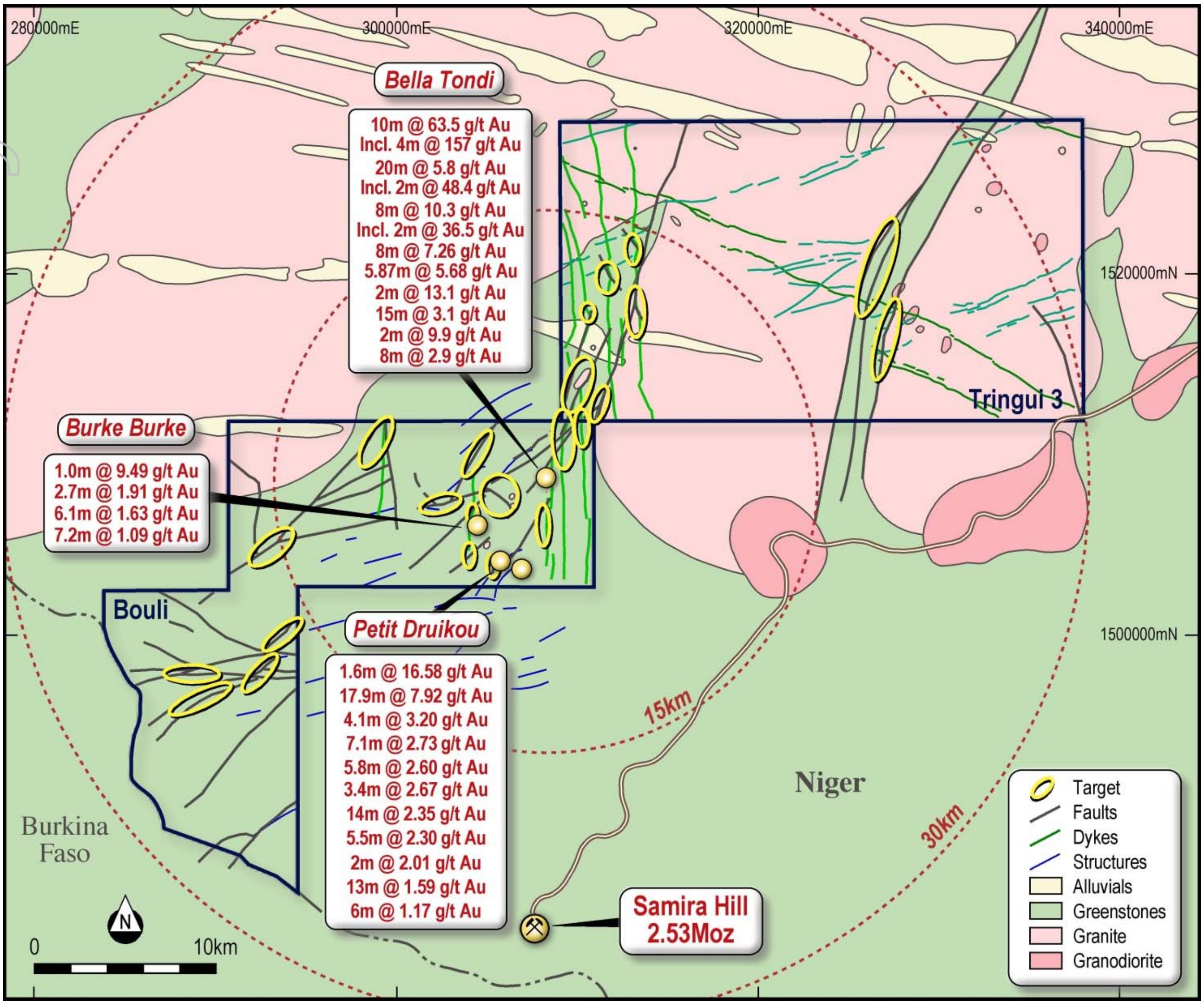

Figure 2: Bouli Gold Project drill intercepts

Nahouri Gold Project, Burkina Faso (formerly Doulnia Gold Project)
The Nahouri Project sits within the Markoye Structural Corridor in Burkina Faso, known to host several multi-million-ounce gold deposits, including two recent major gold discoveries, Cardinal Resources' Namdini Project in Ghana and West African Resources' Sanbrado Gold Project, Burkina Faso.

In the September quarter, Vital identified two new targets from results of a regional auger program.

Tangassogo
Auger drilling identified a 4km long by 1.5km wide north south trending corridor at Tangassogo with peak auger grades of up to 3.5g/t Au. This north-south trending corridor is believed to be a significant structural feature and possibly one of the controlling structures responsible for the ENE-trending Kollo mineralisation. Auger drilling sampled the saprolite, confirming the anomaly is primary and requires follow-up.

Boungou South
A 4km west-northwest trending auger anomaly with peak auger grades of up to 1.1g/t Au was located north-east of the Boungou South gold prospect, which has returned previous RC drill results of 8m @ 9.3 g/t Au from 56m, 9m @ 3.6 g/t Au from 39m, 20m @ 1.5 g/t Au from 16m and 5m @ 3.2 g/t Au from 22m. This prospective corridor is associated with a structural feature interpreted from aeromagnetic data. Vital is planning infill auger drilling.

Kollo South
Vital completed 723m of diamond drilling at Kollo South with a truck-mounted diamond drill rig (two diamond holes and two diamond tails). Core drilling intersected potential ore grade zinc mineralisation with sphalerite mineralisation noted in most of the drill core recovered. Hole KDD008 was extended from 167m to 387m, the deepest hole drilled at Kollo South, to test for gold mineralisation around 180m below high-grade gold intercepts in KRC303. The drill-hole hit the target structure with the core intersecting several intensely sheared, altered, highly silicified intervals with abundant sulphides, with zinc mineralisation being dominant.

Directors' Report continued

Exploration drilling at Kollo South previously intersected high value gold including 13m at 9.0 g/t Au from 174 including 2m at 46.2 g/t Au, 17m at 6.0 g/t Au from 114m including 2m at 30.5 g/t Au and 17m @ 3.34 g/t Au from 145m. Drilling demonstrated that the geometry of the gold mineralisation is complex and the interplay with zinc mineralised is not fully understood. Further drilling will be required to map out both mineralised systems.

Kollo Hill
The Company drilled 19 holes for 1,326m on four drill fences at Kollo Hill using a track-mounted RC rig. Gold assays of RC drill chips reported several anomalous gold results from highly weathered and oxidised material including:

- KHRC011: 6m @ 0.8 g/t Au from 44m
- KHRC013: 2m @ 1.0 g/t Au from 2m
- KHRC013: 2m @ 0.9 g/t Au from 14m
- KHRC011: 4m @ 0.4 g/t Au from 28m

Analysis of RC pulps using a semi-quantitative portable XRF unit reported zinc mineralisation present in broad anomalous zones (both depleted oxide zones as well as fresh sulphide) over a strike length of 450m.

Zinc prospects, Burkina Faso
Vital's drilling at Kollo demonstrated high-grade gold mineralisation sitting within a large zinc VMS mineralised trend, known as Loubel, part of a large zinc VMS system which wraps around the Tiebele dome. Historical exploration work has defined multiple Zn-Pb-Cu anomalies over 30km of lightly explored contact. Previous drill holes only tested depleted oxide zone or shallow mineralisation and there are several prospective zinc VMS-style targets with potential for discovery of a large zinc deposit with more drill testing or in areas where mineralisation has not been closed off.

Airborne geophysics program
A 2,688-line km Heli-mag survey was completed on Zeko permit to acquire magnetic and radiometric data. This will assist drill target delineation.

During the December quarter, the Nahouri license (previously Doulnia) was granted for three years, beginning on 27 December 2017. An application for the second renewal of the Zeko permit for further 3 years was submitted to the Ministre des Mines et des Carrieres during November 2017 and is currently being processed.

There was no drilling activity on the Nahouri project during the second half of the year, with work consisting of compilation and interpretation of exploration data. The Company was approached by a number of parties expressing interest in the project. The Board is reviewing these options and will determine the optimum exploration strategy that will add value to the company and its shareholders.
Vital presented a water well to the community in an official handover ceremony in the June quarter.

Directors' Report continued

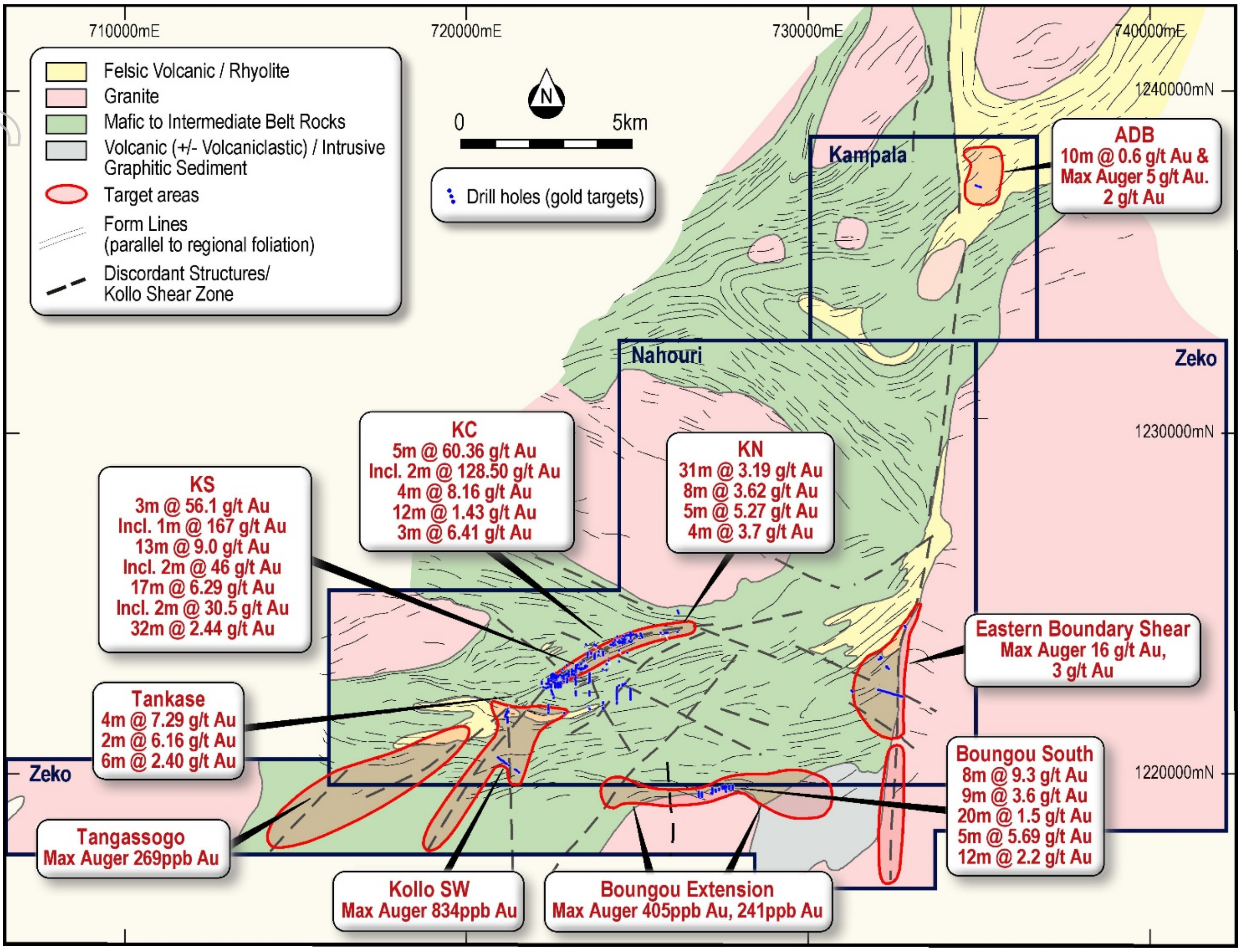

Figure 3: Nahouri Gold Project, Burkina Faso

Aue Cobalt Project, Germany

The Aue project is in the Erzgebirge region of Saxony, Germany. The area has a rich history of cobalt production with mining occurring from the 16th century through to the late 1930s. Vital acquired the project in 2015 for its tungsten prospectivity, with tungsten having been mined at Zschorlau in the western part of the permit area from quartz-wolframite veins between 1917 and 1959.

Previous East German exploration at Aue focused on uranium and tungsten, and the permit was not explored for cobalt using modern exploration making it a very attractive cobalt play.

During the March quarter, Vital announced it would initiate exploration at Aue, with a program of field mapping and geochemical sampling. Vital's small geochemical program aimed to positively identify cobalt mineralisation at two key targets:

- The Stolln 7 mullock (dump) heap on the Schwarzwasser river between Aue and Lauter, where it collected five rock samples. Stolln 7, located on the Schwarzwasser river was driven into a steep rock face around 1950 to explore potential uranium mineralisation. Instead of uranium the miners encountered a Bi-Co-Ni vein striking WNW-ESE. A minor amount of material was extracted and the adit was closed and sealed;
- The historic Koenig David mine pit, where Vital collected 16 soil samples and a single rock chip sample from the base of the pit.

The Vital field team encountered multiple mineral collector diggings in the otherwise overgrown mullock heap. One of these diggings contained a significant amount of material with pinkish secondary cobalt mineral coatings (erythrite, a secondary cobalt carbonate). Multiple samples were taken, including some showing greyish primary mineralisation as well as light-colored native bismuth.

Vital submitted samples to ALS Romania for multi-element geochemistry. All samples from Stolln 7 contained cobalt concentrations ranging from 300 to 700ppm, with the best mineralised sample containing 1.3% Ni, 0.8% Co, 0.3%Bi and 19ppm Ag.

Vital is awaiting results from soil samples taken from around the historic Koenig David sulphide mine with a Pb-Zn-Ag signature and an area of noted Bi-Co-Ni mineralisation.

Directors' Report continued

Vital expects to undertake further field work to test locations with either known historic cobalt mining or are known to have Bi-Co-Ni mineralisation.

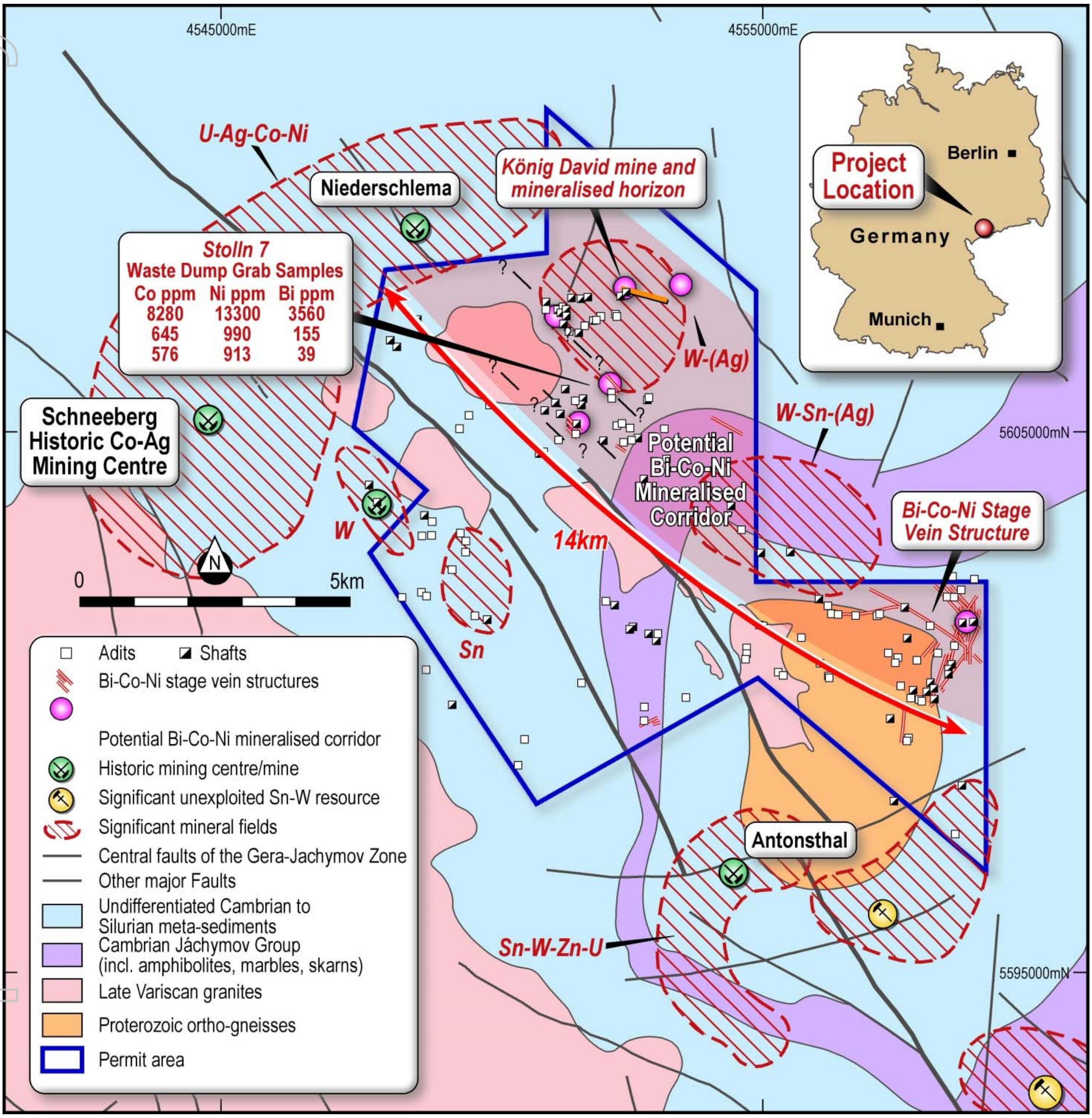

Figure 4: Aue Cobalt Project location map

Directors' Report continued

CORPORATE

Sale of Watershed Project

In May 2018, Vital announced it had signed a binding term sheet to sell its Watershed Tungsten Project in Far North Queensland to Tungsten Mining NL (ASX: TGN) for $15 million cash. The sale comprised 100% of the project as well as all associated exploration permits. The sale was completed in August 2018, and Vital used a portion of the sale funds to repay $1.4 million to Macquarie, following which the Company is debt free. An Amendment and Restated Royalty Deed for the Watershed Project has been executed, with Tungsten Mining NL assuming the royalty obligation owing to Macquarie Bank.

Remaining funds will allow Vital to maintain its exploration program in West Africa Vital and also consider new opportunities in 2019 to pursue value for its shareholders.

Bouli Project Earn-in

In July 2018, Vital announced it would proceed with an agreement to earn 50% of the Bouli Gold Project, Niger, through an earn-in agreement with private Turkish company SUMMA, having already spent more than $1 million on exploration at Bouli, completing aeromagnetic surveys and drilling, predominately at the Bella Tondi prospect, as part of an exploration agreement with SUMMA.

In proceeding with the agreement, announced in October 2017, Vital will spend an additional $5 million on exploration over two years to earn 50% of the project. On the establishment of a 50/50 joint venture, Vital can acquire SUMMA's stake for a 2.5% gross revenue royalty.

Capital Raising

In September 2017, Vital raised $1.98M through a heavily oversubscribed share placement to optimise the Watershed Tungsten Project and continue gold exploration on its highly prospective Burkina Faso tenements. Argonaut and Blackwood Capital acted as joint lead managers for the Placement which issued 263,938,807 New Shares to raise $1.98M, before costs, at a price of $0.0075 per New Share. Shares issued under the Placement were pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1 (158,362,684 shares) and 10% placement capacity under ASX Listing Rule 7.1A (105,575,123).

In March 2018, Vital successfully received commitments for a two-tranche placement to raise up to $3.8 million through the issue of 422.2 million fully paid ordinary shares to sophisticated and institutional investors at an issue price of $0.009 per share. The Placement was completed in two tranches:

- 329.9 million New Shares were issued on 5 April 2018 under Vital's existing placement capacity under ASX Listing Rules 7.1 and 7.1A (Tranche 1) raising $3.8 million; and
- Just under 93 million New Shares were issued on 26 June 2018, raising $837,000 at 0.9¢ per share (Tranche 2).

Vital used the funds raised in the Placement to accelerate exploration of the high-grade Bouli Gold Project. Blackwood Capital and Argonaut were Joint Lead Managers of the placement.

Board & Management Changes

In November 2017, Vital announced the appointment of Matthew Foy as Company Secretary, following the resignation of Ian Hobson. Mr Foy is experienced in the role, acting as a company secretary and corporate advisor for other ASX-listed companies.

David Macoboy retired as a Director of Vital Metals effective 2 July 2018, after serving on the board for more than seven years.

Francis Harper was appointed Vital Metals' Non-Executive Chairman on 2 August 2018.

Mark Strizek
Managing Director

Directors' Report continued

Appendix A: Schedule of Interests in Mining Tenements as at 30 June 2018

Location	Company	Tenement	Percentage held
Burkina Faso	Vital Metals Burkina (wholly owned subsidiary)	Nahouri (formerly known as Doulnia)	100%
		Kampala	100%
		Zeko	100%
Germany	Vital Metals Limited	Aue	100%
Far North Queensland*	North Queensland Tungsten Pty Ltd (wholly owned subsidiary)	EPM 25102	100%
		MDL127	100%
		EPM 18171	100%
		EPM 19809	100%
		EPM 25139	100%
		EPM 25940	100%
		ML 20535	100%
		ML 20536	100%
		ML 20537	100%
		ML 20538	100%
		ML 20566	100%
		ML 20567	100%
		ML 20576	100%

Note*: In May, Vital announced it had signed a binding term sheet to sell its Watershed Tungsten Project in Far North Queensland to Tungsten Mining NL (ASX: TGN) for $15 million cash. The sale comprised 100% of the project as well as all associated exploration permits. The sale was completed in August 2018.

Directors' Report continued

Appendix B: Mineral Resources and Ore Reserves Statement

Introduction
Mineral Resources can be defined as the concentration of material of economic interest in or on the earth's crust, whereas Ore Reserves are the parts of a Mineral Resource that can at present be economically mined.

Mineral Resources and Ore Reserves are reported as tonnes and grade (quality) above a minimum value (cut-off). We report estimates of our Mineral Resources and Ore Reserves on an annual basis, but new discoveries of Mineral Resources can be estimated at any time.

Our estimates of Mineral Resources and Ore Reserves are undertaken by a team of highly skilled technical personnel including geologists, mining engineers and metallurgist that qualify as Competent Persons under the JORC Code.

The JORC Code is a framework for classifying Mineral Resource and Ore Reserve estimates. Mineral Resources can be classified as Measured, Indicated and Inferred, according to the level of geological knowledge and confidence. Ore Reserves can be classified as Proved or Probable on the basis of the Mineral Resource classification and consideration of all JORC modifying factors.

Only Measured and Indicated Mineral Resources can be converted to Ore Reserves.

The figures included in our Mineral Resources and Ore Reserves statement are estimates only and not precise calculations, therefore appropriate rounding according to JORC guidelines has been applied.

The Mineral Resource and Ore Reserve tables in this report provide a detailed breakdown of the estimates, which have been prepared according to the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code).

Annual Review
VML conducts an annual review of its Mineral Resources and Ore Reserves. This process is managed by the Managing Director of VML.

Subsequent to 30 June 2018 there was a restatement of the Watershed Mineral Resource under the 2012 JORC Code and Guidelines. This information was prepared and first disclosed under the 2004 JORC Code. There has not been any material change since it was last reported and the Watershed Mineral Resource was restated and classified using the 2012 JORC Code and Guidelines.

The governance arrangements and internal controls in place with respect to its estimates of mineral resources and ore reserves and the estimation process include oversight of the competent person by the managing director and review by the board. No mining has commenced and no additional mining studies have been completed.

Minerals Resources Statement – 30 June 2018
The Company's total Measured, Indicated and Inferred Mineral Resources as at 30 June 2018 were **49.32Mt grading 0.14% WO_3 for 70,400 tonnes of contained WO_3**. The 2018 Mineral Resources for Watershed remain unchanged from the 2012 estimate. This information was prepared and first disclosed under the 2004 JORC Code. There has not been any material change since it was last reported. It was subsequently restated and classified using the 2012 JORC Code and Guidelines on 4 July 2018.

Watershed Deposit Mineral Resources										
WO_3 % Cut off	**Measured**		**Indicated**		**Inferred**		**Combined**		**Contained WO_3 Tonnes**
	Mt	**WO3 %**	**Mt**	**WO_3 %**	**Mt**	**WO_3 %**	**Mt**	**WO_3 %**	
0.05	9.47	0.16	28.36	0.14	11.49	0.15	49.32	0.14	70,400
0.1	4.42	0.25	11.51	0.24	4.73	0.26	20.66	0.25	50,700
0.15	2.69	0.34	6.66	0.32	2.83	0.35	12.18	0.33	40,400
0.2	1.93	0.41	4.56	0.39	2.05	0.41	8.53	0.40	34,100
0.3	1.09	0.53	2.40	0.52	1.17	0.54	4.66	0.53	24,600

Notes to table;
- Mineral resources reported are inclusive of Ore Reserves.
- Cut-off grade 0.05%WO_3
- Numbers are rounded to two significant figures. Discrepancies in totals may occur due to rounding.
- 100% of Mineral Resources are attributable to Vital Metals. Vital Metals agreed to sell the Watershed Tungsten Project in north Queensland to Tungsten Mining NL for $15 million cash (ASX announcement 2 May 2018).
- Resources initially reported July 30 2012, Quarterly Activities & Cash flow Report and subsequently restated and classified on 3 July 2018 using the 2012 JORC Code and Guidelines.

Directors' Report continued

Ore Reserves Statement – 30 June 2018

The Company's Proved and Probable Ore Reserves were estimated to be **21.3Mt grading 0.15% WO_3 for 31,400 tonnes of contained WO_3.** The reserves were first reported on **17 September 2014** in accordance with JORC Code 2012, the reported reserves are entirely for Watershed. There have been no changes to the Ore Reserves in the past year, no mining has commenced and no additional mining studies have been completed.

The classification of the Watershed Ore Reserves has been carried out in accordance with the recommendations of the JORC Code 2012.

All Proven Ore Reserves have been derived from Measured Mineral Resources and all Probable Ore Reserves have been derived from Indicated Mineral Resources.

Ore Reserves within Watershed Pits			
Category	**Quantity (Mt)**	**WO_3 Content (t)**	**Grade (% WO_3)**
Proven	6.4	10,000	0.16
Probable	15.0	21,000	0.14
Total Ore Reserve	21.3	31,000	0.15
Inferred Ore	1.7	2,400	0.14
Waste Excluding Inferred	66.2		
Total Material	89.3		
Strip Ratio	3.16		

Notes to table:

- Ore Reserves based on an APT price of US$375 and FX0.90
- Mineral Resources are reported as inclusive of Ore Reserves
- Numbers are rounded to two significant figures. Discrepancies in totals may occur due to rounding.
- 100% of Reserves are attributable to Vital Metals

Competent Person Statements

The information in this report that relates to exploration targets, exploration drilling data, exploration results & mineralisation is based on information compiled by Mr Mark Strizek, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Strizek is a full time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Strizek consents to the inclusion in the announcement of the matters based on the information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Watershed Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion of the estimates in the report of the Mineral Resource in the form and context in which they appear.

The information in this report that relates to the Ore Reserves statement has been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code – 2012 Edition). The Ore Reserves have been compiled by Mr Steve Craig of Orelogy Group Pty Ltd, who is a Fellow of Australasian Institute of Mining and Metallurgy. Mr Craig has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Craig consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Directors' Report continued

Operating Results for the Year

Summarised operating results are as follows:

	2018 Revenues $	2018 Results $
Consolidated entity revenues and loss from ordinary activities before income tax expense	**10,742**	**(3,253,430)**

Shareholder Returns

	2018	2017
Basic loss per share (cents)	**(0.21)**	**(0.82)**

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board. The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stake-holders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 2 July 2018 the Company advised it will proceed with an agreement to earn 50% of the Bouli Gold Project in Niger through an earn-in agreement with private Turkish company SUMMA.

On 10 August 2018 the Company advised it had completed the sale of the Watershed Tungsten Project in Queensland for $15 million, less completion adjustments. Vital used a portion of the sale funds to repay $1.4 million to Macquarie, following which the Company is debt free.

Other than set out above there were no other significant events after the reporting date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group intends to continue its exploration and development activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.The directors and key management personnel for the year ended 30 June 2018 were:

David Macoboy – Non-Executive Chairman (resigned 2 July 2018)

Mark Strizek – Managing Director

Andrew Simpson – Non-Executive Director

Peter Cordin – Non-Executive Director

Francis Harper – Non-Executive Chairman (appointed Chairman 2 August 2018)

Ian Hobson – Company Secretary (resigned 17 November 2017)

Directors' Report continued

Principles used to determine the nature and amount of remuneration

Remuneration Policy

Remuneration of Directors and Executives is referred to as compensation throughout this report. Key management personnel including directors of the Company and other executives have authority and responsibility for planning, directing and controlling the activities of the Group. Compensation levels for directors and Key Management Personnel of the Group 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. No such advice was sought in the current year.

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 and the particular experience of the individual concerned.

(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 the Directors believe 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 and the Directors feel that it appropriately links the long term incentives of key employees to the interest of shareholders. The ability to exercise the options is conditional on continued service for a period as determined by the Board upon each issuance of options. The Group does not have a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The share options issued to the Managing Director vest immediately on issue and there are no performance conditions because the Board considers the link between the exercise price and share price at time of issue to be a satisfactory driver.

(iii) Service contracts/agreements

Mark Strizek was appointed on 1 July 2011 as Chief Executive Officer of the Group on a service contract. This contact was for an initial term of three months as CEO after which term Mr Strizek was invited to join the Board as Managing Director (effective 7 October 2011) for an unlimited term which is capable of termination on 6 months' notice. Upon termination Mr Strizek is entitled to payment of his notice period. By agreement, Mr Strizek's salary was adjusted to $200,000 plus superannuation effective 1 April 2017.

(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. Effective from 1 July 2017, the Company's Non-Executive Directors remuneration was amended, resulting in the Chairman receiving $60,000 per annum inclusive of statutory superannuation and non-executive directors receiving $40,000 per annum inclusive of statutory superannuation.

The remuneration policy for non-executive directors remains unchanged.

Company performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Company performance due to the infant stage of the Company's operations.

The table below shows the gross revenue, losses and earnings per share for the last five years for the listed entity.

	2018 $	2017 $	2016 $	2015 $	2014 $
Net loss	(3,253,430)	(4,961,426)	(1,156,042)	(6,939,729)	(1,375,531)
Dividends paid	-	-	-	-	-
Share price at year end (cents)	1.0	1.1	1.1	3.0	3.4
Loss per share (cents)	(0.21)	(0.82)	(0.31)	(2.4)	(0.6)

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2018.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table.

The key management personnel of the Group are the directors and company secretary. Given the size and nature of operations of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Directors' Report continued

Key management personnel of the Group

	Short-Term		Post Employment	Share-based Payments	Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Options[1]	Shares	
	$	$	$	$	$	$
Directors						
David Macoboy (Non-Executive) (resigned 2 July 2018)						
2018	**65,800**	**-**	**6,251**	**-**	**-**	**72,051**
2017	54,800	-	5,205	77,440	-	134,445
Mark Strizek (Managing Director)						
2018	**200,000**	**-**	**19,000**	**61,351[1]**	**-**	**280,351**
2017	177,500	-	16,862	178,599 [1]	40,000[2]	412,961
Andrew Simpson (Non-Executive)						
2018	**40,000**	**-**	**-**	**-**	**-**	**40,000**
2017	39,999	-	-	43,720	-	83,719
Peter Cordin (Non-Executive)						
2018	**36,530**	**-**	**3,470**	**-**	**-**	**40,000**
2017	36,529	-	3,470	43,720	-	83,719
Francis Harper (Non- Executive) (appointed 15 May 2017)						
2018	**46,667**	**-**	**-**	**-**	**-**	**46,667**
2017	5,000	-	-	-	-	5,000
Other key management personnel						
Ian Hobson (Company Secretary) (resigned 17 November 2017)						
2018	**29,300**	**-**	**-**	**-**	**-**	**29,300**
2017	63,500	-	-	-	-	63,500
Total key management personnel compensation						
2018	**547,059**	**-**	**40,478**	**61,351**	**-**	**648,888**
2017	377,328	-	25,537	340,479	40,000	783,344

(1) The fair value of the options is calculated at the date of grant using a Black Scholes option valuation model, or share price up-and-in barrier 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.

(2) Shareholders approved the issue of 2,000,000 shares at the market price of 2 cents per share to Mr Strizek at the 2016 AGM.

There were no options granted to key management personnel as compensation during the reporting period, other than those set out below.

Options granted as compensation

Options are issued at no cost to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between Executives, Directors and Shareholders. The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

	Grant Date	Granted & Vested Number	Vesting Date	Expiry Date	Exercise Price (cents)	Fair Value per option at grant date (cents)	Exercised Number	% of Remuneration
Mark Strizek – Tranche A *	17/11/2017	14,465,912	24/11/2017	24/11/2019	1.2	0.30	N/A	10.95%
Mark Strizek – Tranche B *	17/11/2017	14,465,913	- [1]	24/11/2019	1.2	0.20	N/A	10.95%

* Options were valued based on a 100% volatility, and a risk free interest rate of 1.75%.

[1] Vesting conditions – Share price of $0.02 or greater for 10 consecutive business days prior to 31 December 2018, provide Mark Strizek remains an employee of the Company until at least 31 December 2018

Exercise of options granted as compensation

During the reporting period, there were no shares issued on the exercise of options previously granted as compensation, nor were there any

Directors' Report continued

modifications to the terms of previously granted options.

Analysis of options granted as compensation

Details of vesting profiles of the options granted as remuneration to Key Management Personnel of the Group are detailed below:

	Options granted				
	Number	**Date**	**% vested in current year**	**% expired in current year**	**Financial years in which grant vest**
Directors					
Mark Strizek	7,175,564	23/11/2015	-	100%	-
Mark Strizek	6,506,198	25/11/2016	100%	-	30 June 2017
Mark Strizek	15,000,000	02/05/2017	100%	-	30 June 2017
David Macoboy	3,253,099	25/11/2016	100%	-	30 June 2017
David Macoboy	6,000,000	02/05/2017	100%	-	30 June 2017
Peter Cordin	2,168,733	25/11/2016	100%	-	30 June 2017
Peter Cordin	3,000,000	02/05/2017	100%	-	30 June 2017
Andrew Simpson	2,168,733	25/11/2016	100%	-	30 June 2017
Andrew Simpson	3,000,000	02/05/2017	100%	-	30 June 2017
Mark Strizek*	28,931,825	17/11/2017	50%	-	30 June 2018

* Tranche B options remain unvested

Analysis of movements in options

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 $(C)**
Directors			
Mark Strizek	61,351	-	100,000
David Macoboy (resigned 2 July 2018)	-	-	-
Andrew Simpson	-	-	-
Peter Cordin	-	-	-
Francis Harper	-	-	-

(A) The value of the Tranche A options granted in the year is the fair value of the options calculated at grant date using a Black Scholes option valuation model; The value of the Tranche B options were valued using "share price up-and-in barrier 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.

(C) The value of the options that lapsed during the year represents the fair value of the options calculated at grant date using a Black Scholes option valuation model.

Directors' Report continued

Additional disclosures relating to key management personnel

Shareholding

The numbers of shares in the Company held during the financial year by each director of Vital Metals Ltd and other key management personnel of the Group, including their personally related parties, are set out below.

2018	Balance at start of the year	Received during the year on the exercise of options	Received as Compensation	Other changes during the year	Balance at end of the year
Directors of Vital Metals Limited					
Ordinary shares					
David Macoboy (resigned 2 July 2018)	17,500,000	-	-	-	17,500,000
Mark Strizek	3,173,964	-	-	-	3,173,964
Andrew Simpson	1,684,375	-	-	-	1,684,375
Peter Cordin	6,931,116	-	-	-	6,931,116
Francis Harper	11,700,000	-	-	3,722,225[1]	15,422,225
Other key management personnel of the Group					
Ordinary shares					
Ian Hobson (resigned 17 November 2018)	210,067	-	-	(210,067)[2]	

Notes:

1. Purchase of ordinary shares following shareholder approval at 0.9¢ per share.
2. Shareholding on date of resignation.

Option holding

The numbers of options over ordinary shares in the Company held during the financial year by each director of Vital Metals Ltd and other key management personnel of the Group, including their personally related parties, are set out below:

2018	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Vital Metals Limited							
David Macoboy (Resigned 2 July 2018)	9,253,099	-	-	-	9,253,099	9,253,099	-
Mark Strizek	28,681,852	28,931,825	-	(7,175,654)(1)	50,438,023	50,438,023	-
Andrew Simpson	5,168,733	-	-	-	5,168,733	5,168,733	-
Peter Cordin	5,168,733	-	-	-	5,168,733	5,168,733	-
Francis Harper	12,500,000	-	-	6,250,000(2)	18,750,000	18,750,000	-
Other key management personnel of the Group							
Ian Hobson (resigned 17 November 2018)	-	-	-	-	-	-	-

All vested options are exercisable at the end of the year.

(1) Expiry of options exercisable at $0.04 on or before 24 November 2017

(2) Issued in connection with a capital raising fee and as approved by shareholders.

Loans to key management personnel

There were no loans to key management personnel during the year (2017: nil).

Other transactions with key management personnel

There were no transactions with key management personnel during the year other than salaries and wages as disclosed in the remuneration report.

Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')

At the 2017 AGM, 98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

End of audited Remuneration Report

Directors' Report continued

DIRECTORS' MEETINGS

During the year the Company held 8 meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Audit Committee Meetings	
	A	B	A	B
David Macoboy	8	8	1	1
Mark Strizek	8	8	*	*
Andrew Simpson	8	8	1	1
Peter Cordin	8	8	1	1
Francis Harper (appointed May 2017)	8	8	*	*

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

* – Not a member of the relevant committee.

SHARES UNDER OPTION

At the date of this report there are 263,849,101 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	186,937,742
Movements of share options during the year:	
Issued, exercisable at 1.2 cents, on or before 24 November 2019	28,931,825
Issued, exercisable at 1.0 cents on or before 17 November 2021	25,000,000
Expired, exercisable at 4.0 cents, on or before 24 November 2017	(9,687,133)
Total number of options outstanding as at 30 June 2018	**231,182,434**
Movements of share options since 30 June 2018	
Issued, exercisable at 1.5 cents on or before 19 July 2022	32,666,667
Total number of options outstanding as date of this report	**263,849,101**

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
7 Dec 2016	25 Nov 2018	2.7	14,096,763
12 May 2017	31 Dec 2018	1.625	86,153,846
12 May 2017	30 Apr 2021	2	50,000,000
12 May 2017	30 Apr 2021	2.3	27,000,000
24 Nov 2017	17 Nov 2021	1.0	25,000,000
24 Nov 2017	24 Nov 2019	1.2	28,931,825
19 July 2018	19 July 2022	1.5	30,000,000
3 Sept 2018	19 July 2022	1.5	2,666,667
Total number of options outstanding at the date of this report			**263,849,101**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND 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.

LEGAL PROCEEDINGS

The company was not a party to any legal proceedings during the year.

Directors' Report continued

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON-AUDIT SERVICES

No non-audit services were provided by BDO, the Company's auditor, during the financial year.

The Group has not provided any indemnity to the Auditors.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

Signed in accordance with a resolution of the directors.

Francis Harper

Francis Harper
Chairman

Perth, 28 September 2018

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF VITAL METALS LIMITED

As lead auditor of Vital Metals Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vital Metals Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 28 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2018	Notes	Consolidated 2018 $	Consolidated 2017 $
REVENUE			
Sundry income		**10,742**	2,727
Total income		**10,742**	2,727
EXPENDITURE			
Exploration and evaluation expenditure		**2,155,072**	3,622,109
Administration expenses		**938,498**	1,089,499
Total expenses	5	**3,093,570**	4,711,608
RESULTS FROM OPERATING ACTIVITIES		**(3,082,828)**	(4,708,881)
Finance income		**13,721**	12,050
Finance expense		**(184,323)**	(264,595)
Net finance expense	4	**(170,602)**	(252,545)
LOSS BEFORE INCOME TAX		**(3,253,430)**	(4,961,426)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF VITAL METALS LTD		**(3,253,430)**	(4,961,426)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**74,870**	(8,925)
Other comprehensive income/(loss) for the year, net of tax		**74,870**	(8,925)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF VITAL METALS LTD		**(3,178,560)**	(4,970,351)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	24	**(0.21)**	(0.82)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AT 30 JUNE 2018	Notes	Consolidated 2018 $	Consolidated 2017 $
CURRENT ASSETS			
Cash and cash equivalents	7	**3,219,228**	2,674,830
Trade and other receivables		**166,281**	69,496
Assets held for sale	9	**8,484,271**	-
TOTAL CURRENT ASSETS		**11,869,780**	2,744,326
NON-CURRENT ASSETS			
Property, plant and equipment		**19,660**	23,804
Exploration and evaluation expenditure	8	**-**	7,588,322
TOTAL NON-CURRENT ASSETS		**19,660**	7,612,126
TOTAL ASSETS		**11,889,440**	10,356,452
CURRENT LIABILITIES			
Trade and other payables	10	**558,075**	1,396,661
Provisions		**37,039**	43,778
Borrowings	11	**1,367,126**	-
Liabilities held for sale	9	**400,000**	-
TOTAL CURRENT LIABILITIES		**2,362,240**	1,440,439
NON-CURRENT LIABILITIES			
Non-current Borrowings	11	**-**	1,308,223
Provisions	12	**-**	400,000
TOTAL NON-CURRENT LIABILITIES		**-**	1,708,223
TOTAL LIABILITIES		**2,362,240**	3,148,662
NET ASSETS		**9,527,200**	7,207,790
EQUITY			
Contributed Equity	13	**52,845,649**	47,810,512
Reserves		**2,666,193**	2,128,490
Accumulated losses		**(45,984,642)**	(42,731,212)
TOTAL EQUITY		**9,527,200**	7,207,790

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2018

Consolidated	Notes	Contributed Equity $	Share-Based Payment Reserve $	Convertible Note Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
BALANCE AT 1 JULY 2016		41,344,085	757,110	133,901	397,292	(37,769,786)	(4,862,602)
Loss for the year		-	-	-	-	(4,961,426)	(4,961,426)
OTHER COMPREHENSIVE INCOME/(LOSS)							
Exchange differences on translation of foreign operations		-	-	-	(8,925)	-	(8,925)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		-	-	-	(8,925)	(4,961,426)	(4,970,351)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Issue of Shares	13	7,303,270	-	-	-	-	7,303,270
Share issue transaction costs	13	(836,843)	-	-	-	-	(836,843)
Convertible note issued		-	-	99,541			99,541
Options issued during the year	25	-	749,571	-	-	-	749,571
BALANCE AT 30 JUNE 2017		47,810,512	1,506,681	233,442	388,367	(42,731,212)	7,207,790
Loss for the year		-	-	-	-	(3,253,430)	(3,253,430)
OTHER COMPREHENSIVE INCOME/(LOSS)							
Exchange differences on translation of foreign operations		-	-	-	74,871	-	74,871
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		-	-	-	74,871	(3,253,430)	(3,178,559)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS							
Issue of Shares	13	5,787,709	-	-	-	-	5,787,709
Share issue transaction costs	13	(752,572)	-	-	-	-	(752,572)
Options issued during the year	25	-	462,832	-	-	-	462,832
BALANCE AT 30 JUNE 2018		52,845,649	1,969,513	233,442	463,238	(45,984,642)	9,527,200

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2018	Notes	Consolidated 2018 $	Consolidated 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for exploration and evaluation costs		**(3,365,123)**	(2,455,891)
Payments to suppliers and employees		**(811,829)**	(674,708)
Interest received		**13,592**	12,050
Other receipts		**-**	2,727
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	23	**(4,163,360)**	(3,115,822)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration expenditure		**(680,421)**	(570,905)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		**(680,421)**	(570,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**-**	(256,831)
Repayment of loan		**-**	(1,000,000)
Proceeds from issue of options		**-**	2,500
Proceeds from issue of shares		**5,787,609**	6,663,271
Payment of capital raising costs		**(373,049)**	(435,751)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**5,414,560**	4,973,189
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**571,779**	1,286,462
Cash and cash equivalents at the beginning of the financial year		**2,674,830**	1,388,368
Effects of exchange rate changes on cash and cash equivalents		**(27,381)**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**3,219,228**	2,674,830

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Vital Metals Limited and its subsidiaries. The financial statements are presented in Australian dollars. Vital Metals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 26 September 2017. The Directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Vital Metals Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Vital Metals Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New accounting standards and interpretations

New, revised or amended Accounting Standards and Interpretations adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The adoption of these Accounting standards however, did not have any significant impact on the financial performance or position of the Group. Any new, revised and amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Standards issued but not yet effective

A number of new standards, amendment of standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date.

The Group has reviewed these standards and interpretations, and with the exception of the items listed below for which the final impact is yet to be determined, none of the new or amended standards will significantly affect the Group's accounting policies, financial position or performance.

Reference and title	Summary	Application date of standard *	Application date for Group *
AASB 9 *Financial Instruments*	AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.	1 January 2018	1 July 2018
AASB 15 *Revenue from Contracts with Customers*	AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. Based on an initial impact assessment, the new standard is	1 January 2018	1 July 2018

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reference and title	Summary	Application date of standard *	Application date for Group *
	not expected to significantly impact revenue recognition.		
AASB 16 *Leases*	This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	1 January 2019	1 July 2019
* Designates the beginning of the applicable annual reporting period			

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

(b) Going Concern

The financial statements have 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.

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vital Metals Limited ("Company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. Vital Metals Ltd and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

The Group has identified two reportable segments being exploration activities undertaken in Australia and Burkina Faso. These segments include the activities associated with the determination and assessment of the existence of commercially economic reserves, from the Group's mineral assets in these geographic locations.

Segment performance is evaluated based on the operating profit or loss or cash flows and is measured in accordance with the Group's accounting policies.

(e) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is Vital Metals Limited's functional and presentation

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Foreign currency translation

(i) Functional and presentation currency (continued)

currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities, denominated in foreign currencies, are recognised in profit or loss.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated to the functional currency as exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency difference are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(f) 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 statement of profit or loss and other comprehensive income, using the effective interest method.

(g) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 Limited.

The controlled entities have been fully compensated for all deferred tax assets and liabilities transferred to Vital Metals Limited on the date of forming a tax consolidated group. The entities have also entered into a tax sharing and compensation agreement where the wholly owned entities reimburse Vital Metals Limited for any current income tax payable or receivable by Vital Metals Limited in respect of their activities. The group has decided to use the "separate taxpayer within group" approach in accordance with UIG 1052 to account for the current and deferred tax amounts amongst the entities within the consolidated group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(h) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

Assets, except for deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and financial assets available-for-sale.

Financial assets available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available-for-sale financial assets comprise equity securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(k) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The rate of depreciation for buildings is 10% and for plant and equipment and office equipment the rates vary between 5% and 33.3% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

(l) Exploration and evaluation expenditure

The Group applies the most appropriate accounting policy for exploration and evaluation expenditure incurred for each area of interest. From 1 July 2017, the Group has changed its accounting policy for exploration and evaluation expenditure incurred on the Burkina Faso area of interest from capitalising to expensing. This change in accounting policy has been applied retrospectively from the earliest presented reporting period. The result of this retrospective application is no change to the Statement of Profit or Loss and Other Comprehensive Income and no change to the Statement of Financial Position for the comparative periods presented. This change in accounting policy for the Burkina Faso area of interest has been made as the directors believe it provides more relevant and reliable information for the users of the financial report.

Exploration and evaluation expenditure for the Australian area of interest continue to be capitalised as follows:

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Company in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

a) The rights to tenure of the area of interest are current; and
b) At least one of the following conditions is also met:
    i. The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
    ii. Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Government grants received in relation to exploration and evaluation expenditure are recorded as a deduction in the carrying value of the asset.

Exploration and evaluation expenditure is not depreciated as it is not yet ready for use.

Impairment testing of exploration and evaluation expenditure

Exploration and evaluation expenditure is assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Exploration and evaluation expenditure (continued)

Exploration and evaluation expenditure is tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each cash generating unit that is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy note 1(i).

(m) Employee benefits

(i) Annual leave and long service leave

Liabilities for annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions') - refer to note 27.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using an appropriate option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(n) Provisions

Provisions are recognised when the Group 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

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration is recognised in respect of the estimated cost of rehabilitation, decommissioning and restoration of the area disturbed during exploration activities up to reporting date, but not yet rehabilitated. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including re-contouring, topsoiling and revegetation of the disturbed area.

The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the income statement.

A corresponding asset is recognised in Property, Plant and Equipment only to the extent that it is probable that future economic benefits associated with the rehabilitation, decommissioning and restoration expenditure will flow to the entity.

Costs arising from unforeseen circumstances, such as contamination from discharge of a toxic material, are recognised as a provision with a corresponding expense recognised in the income statement when an obligation, which is probable and capable of reliable estimation, arises.

At each reporting date the site restoration provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and are added to, or deducted from, the related asset where it is probable that future economic benefits will flow to the entity.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the respective taxation authorities, are presented as operating cash flows.

(s) Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Consolidated Entity do not have any material impact on the disclosures or the amounts recognised in the Company's financial statements.

(t) Critical accounting estimates and judgements

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share-based payment transactions

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(t) Critical accounting estimates and judgements (continued)

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.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible facility that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed. The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest related to the financial liability is recognised in the statement of profit or loss and other comprehensive income. On conversion the financial liability is reclassified to equity and no gain or loss is recognised.

(u) Held for Sale assets/liabilities

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fir value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

In May 2018, the Company announced that it had entered into a binding terms sheet with Tungsten Mining NL to dispose of the 100% interest in the Watershed Tungsten Project located in north Queensland for a cash consideration of $15 million. Hence, the project has been classified as Assets and Liabilities Held for Sale in the current financial year.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) 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.

The Group is exposed to fluctuations in foreign exchange rates of the CFA Franc in relation to its activities in Burkina Faso. The group maintains minimal working capital in Burkina Faso and only transfers cash funds as required, as such the Statement of Financial Position exposure at any point in time is not significant. Foreign exchange risk will also arise from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group is also exposed to fluctuations in interest rates in relation to its cash deposits and commodity prices in relation to the carrying value of its exploration and evaluation assets. The Group monitors all of the above-mentioned risks and takes action as required.

The Group's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial asset and financial liability is set out below.

	Weighted Average Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	%	$	$	$	$
2018					
Financial Assets					
Cash and cash equivalents	0.8	**3,219,228**	**-**	**-**	**3,219,228**
Trade and other receivables		**-**	**-**	**166,281**	**166,281**
		3,219,228	**-**	**166,281**	**3,385,509**
Financial Liabilities					
Trade and other payables			**-**	**558,075**	**558,075**
Borrowings	9.05	**1,367,066**	**-**	**-**	**1,367,066**
		1,367,066	**-**	**558,075**	**1,925,142**
Net financial assets/(liabilities)		**1,852,162**	**-**	**(391,794)**	**1,460,368**
2017					
Financial Assets					
Cash and cash equivalents	0.8	**2,674,830**	**-**	**-**	**2,674,830**
Trade and other receivables		**-**	**-**	**69,495**	**69,495**
		2,674,830	**-**	**69,495**	**2,744,325**
Financial Liabilities					
Trade and other payables		**-**	**-**	**1,396,661**	**1,396,661**
Borrowings	9.05	**1,308,223**	**-**	**-**	**1,308,223**
		1,308,223	**-**	**-**	**2,704,884**
		1,366,607	**-**	**(1,327,166)**	**39,441**

At 30 June 2018, if interest rates had changed by -/+ 25 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Group would have been $8,048 higher/lower (2017: -/+ 25 basis points, $6,685 higher/lower) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

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

The Group's exposure to credit risk is low and limited to cash and cash equivalents and other receivables. The majority of cash and cash equivalents $3,219,228 at 30 June 2018 ($2,674,830 at 30 June 2017) are held with financial institutions that have a AA- credit rating (Standard & Poor's). The majority of the receivables relate to amounts owing by project partners.

The maximum exposures to credit risk are the amounts as shown in the Statement of Financial Position.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

2. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group has limited access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to borrowings (being a convertible loan facility) and trade and other payables as disclosed in the statement of financial position. All trade and other payables are due within 12 months of the reporting date.

The convertible loan facility is due for repayment on 31 December 2018. It is the Directors' view that the terms of this convertible loan facility will likely be re-negotiated and extended. An alternative would be for the financier to exercise their 86.1 million share options at an exercise price of 1.625 cents and extinguish the debt.

The following are the contractual maturities of trade and other payables:

	Carrying Amount $	Contractual Cash Flow $	6 Months or Less $	6 – 12 Months $	1 – 2 Years $
2018					
Non-derivative financial liabilities					
Trade and other payables	**558,075**	**558,075**	**558,075**	**-**	**-**
Borrowings	**1,367,066**	**1,367,066**	**1,367,066**	**-**	**-**
	1,925,142	**1,925,142**	**1,925,142**	**-**	**-**
2017					
Non-derivative financial liabilities					
Trade and other payables	**1,396,661**	**1,396,661**	**1,396,661**	**-**	**-**
Borrowings	**1,308,223**	**1,308,223**	**-**	**-**	**1,308,223**
	2,704,884	**2,704,884**	**1,396,661**	**-**	**1,308,223**

(d) Accounting classification of Fair Values

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

Fair value estimation

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.

Trade and other receivables

Fair value, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other payables

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Borrowings

Fair value, which is determined for disclosure purposes, at the time of for establishing the financial liability and based on the present value of the remaining cash flows, discounted at the assessed weighted average cost of capital.

Notes to the Consolidated Financial Statements continued

30 JUNE 2018

3. SEGMENT INFORMATION

The consolidated entity has two reportable segments being mineral exploration and prospecting for minerals in Australia and Burkina Faso. Further segment reporting information is provided in Note 1(d).

	Australia		Burkina Faso		Consolidated Total	
	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$
Segment income	**10,742**	2,727	**-**	-	**10,742**	2,727
Reconciliation of segment income to total revenue before tax:						
Interest revenue					**13,721**	12,040
Total revenue					**24,463**	14,767
Segment loss	**(1,681,044)**	-	**(463,286)**	(3,675,059)	**(2,130,609)**	(3,675,059)
Reconciliation of segment loss to net loss before tax:						
Depreciation					**(4,144)**	(7,522)
Personell expenses					**(457,445)**	(676,293)
Finance expense					**(184,323)**	(264,595)
Other corporate and administration					**(476,908)**	(337,958)
Net loss before tax					**(3,253,430)**	(4,961,426)
Segment operating assets	**3,331,532**	7,606,733	**60,000**	43,830	**3,391,532**	7,650,563
Reconciliation of segment operating assets to total assets:						
Cash and cash equivalents (head office)					**3,177,288**	2,640,294
Receivables (head office)					**148,303**	60,201
Property, plant & equipment (head office)					**6,848,221**	5,394
Total assets					**13,565,343**	10,356,452
Segment operating liabilties	**-**	463,062	**1,684,454**	1,241,175	**1,684,454**	1,704,237
Reconciliation of segment operating liabilities to total liabilities:						
Payables and provisions (head office)					**986,563**	136,202
Borrowings (head office)					**1,367,126**	1,308,223
Total liabilities					**4,038,143**	3,148,662

4. NET FINANCIAL INCOME

	Consolidated	
	2018	2017
	$	$
Interest income	**13,721**	12,050
Interest expense	**184,323**	264,595
	184,323	264,595
Net finance income/(expense)	**(170,603)**	(252,545)

Notes to the Consolidated Financial Statements continued

	Consolidated 2018 $	Consolidated 2017 $
5. EXPENSES		
The following significant expense items not separately highlighted in the Statement of Profit or Loss and Other Comprehensive Income are relevant in explaining the financial performance:		
Operating lease expense	-	35,038
Share-based payments – consulting / director fees (refer also note 24)	**83,309**	426,185
Depreciation of non-current assets in administration expenses		
Buildings	-	3,035
Plant and equipment	**2,919**	4,846
Furniture and equipment	**1,225**	2,173
Less transfer to capitalised exploration and evaluation expenditure	-	(2,532)
Total depreciation	**4,144**	7,522
Personnel expenses		
Wages and salaries	**417,401**	362,351
Contributions to defined contribution superannuation funds	**40,044**	30,550
Equity settled share based payment transactions	-	343,478
Less transfer to capitalised exploration and evaluation expenditure	-	(158,044)
Total personnel expenses	**457,445**	578,335

6. INCOME TAX

	2018 $	2017 $
(a) The major components of income tax are:		
Statement of Profit or Loss and Other Comprehensive Income		
Current income tax		
Current income tax benefit	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Unused tax losses not recognised as deferred tax asset	-	-
Tax rebate from R&D activities	-	-
Income tax benefit reported in the Statement of Profit or Loss and Other Comprehensive Income	-	-
The aggregate amount of income tax attributable to the financial period differs from the amount calculated on the operating loss. The differences are:		
Accounting loss	**(3,248,340)**	(4,961,426)
Prima facie tax benefit at the Australian tax rate of 30% (2017: 27.5%)	**(974,502)**	(1,364,392)
Add tax effect of:		
Non-deductible items	**35,065**	116,211
Sale of subsidiary	**4,444,696**	-
Tax losses not brought to account	-	1,248,181
R&D expenditure used for tax offset	-	-
Burkina Faso operations not brought to account	**150,594**	
Less tax effect of:		
R&D tax offset	-	-
Accrued income – R&D	-	-
Capital raising costs	**(6,005)**	-
Utilisation of tax losses not brought to account	**(3,649,847)**	-
Income tax benefit	-	-

Notes to the Consolidated Financial Statements continued

6. INCOME TAX (CONTINUED)

	Consolidated 2018 $	Consolidated 2017 $
(b) Deferred income tax		
Statement of Financial Position		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Property, plant and equipment – depreciation	**5,732**	6,303
Exploration expenses	**2,508,572**	1,237,961
Set-off against tax assets	**(2,514,304)**	(1,244,264)
	-	-
Deferred tax assets		
Tax value of losses carried forward	**7,808,597**	9,385,527
Set-off of deferred tax liability	**(2,514,304)**	(1,244,265)
Accrued expenses	**21,000**	12,907
Provisions	**133,980**	122,039
Other prepayments/capital expenditure	**163,434**	131,879
Non-recognition of deferred tax assets	**(5,612,707)**	(8,408,087)
	-	-

(c) Tax losses

At 30 June 2018, the Consolidated Entity has $26,028,658 (2017: $32,129,188) of taxable losses that are available for offset against future taxable profits of the consolidated entity, subject to the loss recoupment requirements in the Income Tax Assessment Act 1997. During the year ended 30 June 2018, the Consolidated Enity had taxable income of $8,100,530 which comprise mainly the capital gains from the sale of a subsidiary company, NQT. Albeit the sale was completed in 2019 income year, the terms of the agreement were effective prior to 30 June 2018 for the purpose of Capital Gains Tax. Carried forward losses of $8,100,530 were applied against the taxable income on the basis that the Consolidated Entity satisfied the loss recoupment requirements in the Income Tax Assessment Act 1997.

No deferred tax asset has been recognised in the Statement of Financial Position in respect of the amount of these losses, as it is not presently probable future taxable profits will be available against which the Company can utilise the benefit.

	2018	2017
Unrecognised deferred tax assets		
Tax losses – revenue (at 30% for 2018 27.5% for 2017)	**7,808,597**	9,385,527

(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.

Upon the completions of the sale of subsidiary post 30 June 2018, North Queensland Tungsten has exited the consolidated group as at 9 August 2018. Vital Metals Ltd remains the head entity of the consolidated group for income tax purposes.

(e) Corporate Tax Rate

In 2018, the government enacted a change in the eligibility to access the lower income tax rate for small business entities of 27.5%. Vital Metals Ltd does not satisfy these requirements and is therefore subject to the corporate tax rate of 30%.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2018	2017
Cash at bank and on hand	**3,210,478**	2,656,080
Short-term deposits	**8,750**	18,750
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**3,219,228**	2,674,830

Refer to note 2 for the Group's exposure to interest rate risk and credit risk.

Notes to the Consolidated Financial Statements continued

8. NON-CURRENT ASSETS – EXPLORATION & EVALUATION EXPENDITURE

	Note	Consolidated 2018 $	Consolidated 2017 $
Exploration and evaluation expenditure			
Costs carried forward in respect of areas of interest in the exploration and evaluation phases:			
Opening net book amount		**7,588,322**	7,017,417
Exploration expenditure		**4,261,072**	4,297,556
Exploration expenditure – expensed		**(3,365,123)**	(3,622,109)
R&D tax incentive claim		**-**	(104,542)
Transfer to Assets held for Sale (see note 9)	9	**(8,484,271)**	
Closing net book amount		-	7,588,322
The closing balances relate to the following areas of interest:			
Watershed Tungsten Project, Queensland		**-**	7,588,322
Nahouri Gold Project, Burkina Faso		**-**	-
Bouli Project, Niger		**-**	-
Aue Cobalt Project, Germany		**-**	-
		-	7,588,322

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 in determining the inputs and assumptions used in determining the recoverable amounts. The key areas requiring estimation and assumptions may include: 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; and the Group's market capitalisation compared to its net assets and independent valuations that may be available.

Watershed Tungsten Project

As at balance date, the Group holds 100% of the Watershed Project. Refer to Note 9.

Nahouri Gold Project

The Nahouri Gold Project Group is located in southern Burkina Faso, West Africa. On 18 July 2013 the Group entered into an agreement to acquire the 30% minority interest in two permits included in the Nahouri Gold Project from its joint venture partner, Ampella Mining, in exchange for a royalty. The Group owns 100% of all permits that comprise the Nahouri Gold Project. The exploration and evaluation expenditure is expensed as incurred.

Notes to the Consolidated Financial Statements continued

9. ASSETS/LIABILITIES HELD FOR SALE

	Consolidated 2018 $	Consolidated 2017 $
Assets		
Exploration capitalised	8,484,271	-
	8,484,271	-
Liabilities		
Site Restoration provision	(400,000)	-
	(400,000)	-
Net assets held for sale	**8,084,271**	-

On 2 May 2018, the Company announced the signing of a binding term sheet to sell 100% interest of the Watershed Tungsten Project (**Watershed**) to ASX-listed company Tungsten Mining NL (TGN). The agreed consideration for Watershed was for $15,000,000 cash.

The Watershed sale was completed subsequent to the end of the period, on 10 August 2018.

10. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated 2018 $	Consolidated 2017 $
Trade creditors and accruals	**558,075**	1,396,661

Carrying value is considered to approximate fair value. Refer to note 2 for the Group's interest rate and liquidity risk.

11. NON-CURRENT LIABILITIES – BORROWINGS

	2018	2017
Bank facility at amortised cost	**1,367,126**	1,308,223

The Group renewed the $3 million debt facility on 4 July 2016 to 30 June 2017. In accordance with the terms of the amended facility, Macquarie was previously issued with 68,181,818 options with an exercise price of 4.4 cents which expired on 30 June 2017, which if exercised would have extinguished the debt. Macquarie had the option to exercise all or part of the options during the term of the facility. On 31st May 2017, the Group partly repaid the $3 million debt facility with Macquarie Bank Limited by $1 million cash and 48,000,000 shares in the Company to the value of $600,000 leaving a balance of $1.4 million. In accordance with the terms of the amended facility Macquarie was issued with 86,153,846 options with an exercise price of 1.625 cents and expiring on 31 December 2018, which if exercised will extinguish the debt. Macquarie has the option to exercise all or part of the options during the term of the facility. The loan facility is repayable by 31 December 2018 with an interest rate of 7% over the bank bill swap rate. As a result of the amendment, an equity element was recognised during the year for the revised conversion option of the loan. The debt component was fair valued first using the market interest rate and the residual is recognised as equity (being the conversion option). The facility is secured by a general security over all of the assets of Vital Metals Limited and its subsidiary, North Queensland Tungsten Pty Ltd. Total assets pledged as security as at 30 June 2018: $8,084,271. A gross revenue royalty of 1.5% on production from the Watershed Tungsten Project is payable to Macquarie Bank Limited. An Amendment and Restated Royalty Deed for the Watershed Project has been executed, with Tungsten Mining NL assuming the royalty obligation owing to Macquarie Bank. Subsequent to the end of the financial year, the Company has settled the remaining amount of the facility in cash. An Amendment and Restated Royalty Deed for the Watershed Project has been executed, with Tungsten Mining NL assuming the royalty obligation owing to Macquarie Bank.

Accounting standards require the separate recognition of the debt and equity components of the Convertible Loan Facility. At the date of recognition of the new convertible note, the debt and equity components of the facility were separated according to their fair values. The liability component is subsequently recorded at amortised cost. The liability for the 1.5% royalty has been assessed as being valued at nil at both 4 July and balance date due to the early stage of the project and there is no present obligation to pay the royalty at balance date.

Notes to the Consolidated Financial Statements continued

12. NON-CURRENT LIABILITIES – PROVISIONS

	Note	2018	2017
Site Restoration Provision			
Opening balance		**400,000**	400,000
Transfer to Held for Sale Assets/Liabilities	9	**(400,000)**	-
Closing balance		**-**	400,000

13. CONTRIBUTED EQUITY

(a) Share capital

	Notes	2018 Number of shares	2018 $	2017 Number of shares	2017 $
Ordinary shares fully paid	12(b), 12(d)	**1,742,611,288**	**52,845,650**	1,055,751,226	47,810,512
Total contributed equity		**1,742,611,288**	**52,845,650**	1,055,751,226	47,810,512

(b) Movements in ordinary share capital

	2018 Number of shares	2018 $	2017 Number of shares	2017 $
Beginning of the financial year	**1,055,751,226**	**47,810,512**	481,070,861	41,344,085
Issued during the year:				
- Rights issue shortfall 7 July 2016	-	-	43,100,877	474,109
- Placement 26 July 2016	-	-	1,132,821	12,461
- Placement 17 August 2016	-	-	68,446,667	1,026,700
- Placement 30 November 2016	-	-	2,000,000	40,000
- Placement 27 March 2017	-	-	140,000,000	1,750,000
- Placement 9 May 2017	-	-	260,000,000	3,250,000
- Placement 12 May 2017	-	-	12,000,000	150,000
- Placement 12 May 2017 (debt settlement)	-	-	48,000,000	600,000
- Placement 25 September 2017	**263,937,807**	**1,981,409**	-	-
- Placement 5 April 2018	**329,922,257**	**2,969,300**	-	-
- Placement 26 June 2018	**92,999,998**	**837,000**	-	-
Less: transaction costs		**(752,572)**	-	(836,843)
End of the financial year	**1,742,611,288**	**52,845,649**	1,055,751,226	47,810,512

(c) Movements in options on issue

	Number of options 2018	Number of options 2017
Beginning of the financial year	**186,937,742**	91,083,640
Issued during the year:		
– Exercisable at 4.2 cents on or before 26 Nov 2016	-	(13,214,689)
– Exercisable at 2.7 cents on or before 25 Nov 2018	-	14,096,763
– Exercisable at 1.625 cents on or before 31 Dec 2018	-	86,153,846
– Exercisable at 2 cents on or before 30 April 2021	-	50,000,000
– Exercisable at 2.3 cents on or before 30 April 2021	-	27,000,000
– Exercisable at 1.2 cents and expiring 24 November 2019	**28,931,825**	-
– Exercisable at 1.0 cents and expiring 17 November 2021	**25,000,000**	-
Expired/cancelled during the year:		
– Exercisable at 5.1 cents on or before 30 June 2017	-	(68,181,818)
– Exercisable at 4.0 cents on or before 24 November 2017	**(9,687,133)**	-
End of the financial year	**231,182,434**	186,937,742

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes to the Consolidated Financial Statements continued

13. CONTRIBUTED EQUITY (continued)

(e) Capital risk 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. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Management also monitor capital through the gearing ratio (net debt/total capital). Current gearing ratios are considered acceptable. The gearing ratio at 30 June 2018 is shown below:

	Consolidated	
	2018	2017
	$	$
Total borrowings	**1,367,126**	1,308,223
Less: cash and cash equivalents (Note 7)	**(3,219,228)**	(2,674,830)
Net debt	**(1,852,102)**	(1,366,607)
Total equity	**9,527,200**	7,207,790
Total capital	**7,675,098**	5,841,183
Gearing ratio	(24.13)%	(23.4)%

14. RESERVES

(i) Share based payment reserve

The share-based payments reserve is used to recognise the fair value of options issued. Refer to note 25 for details.

(ii) Convertible note reserve

The convertible note reserve is used to recognise the fair value of the equity component of the convertible loan facility as described in Note 11.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(e). The reserve is recognised in profit or loss when the net investment is disposed of.

15. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated	
	2018	2017
	$	$
Key management personnel compensation		
Short-term benefits	**547,059**	377,328
Post-employment benefits	**40,478**	25,537
Share-based payments	**61,351**	380,479
	648,888	783,444

Other disclosures regarding key management personnel are made in the remuneration report on pages 10 to 14.

Notes to the Consolidated Financial Statements continued

17. REMUNERATION OF AUDITORS

	Consolidated 2018 $	Consolidated 2017 $
Remuneration of the auditor of the parent entity for:		
Audit and review of financial reports	**42,333**	37,795

No non-audit services were performed during 2018 or 2017.

18. COMMITMENTS

(a) Exploration commitments

The Group 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 Group will be required to outlay amounts of approximately $265,000 (2017: $678,972). These obligations are expected to be fulfilled in the normal course of operations.

	Consolidated 2018 $	Consolidated 2017 $
(b) Lease commitments: Group as lessee		
Operating leases (non-cancellable):		
Minimum lease payments	-	-
within one year	-	22,786
later than one year but not later than five years	-	-
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	-	22,786

19. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Vital Metals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 20.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 16.

(d) Loans to related parties

Vital Metals Ltd has provided unsecured, interest free loans to each of its wholly owned subsidiaries totalling $29,981,397 at 30 June 2018 (2017: $27,627,926). An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss. The Company has recognised cumulative impairment losses of $25,417,031 at 30 June 2018 (2017: $23,769,304).

20. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name	Country of Incorporation	Class of Shares	Equity Holding[1] 2018 %	Equity Holding[1] 2017 %
North Queensland Tungsten Pty Ltd	Australia	Ordinary	**100**	100
Vital Metals Burkina Sarl	Burkina Faso	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

Notes to the Consolidated Financial Statements continued

21. CONTINGENCIES

A financial advisor fee totalling $330,000 payable to Argonaut Capital was contingent upon the successful sale of the Watershed Tungsten Project. The outstanding amount was settled in full subsequent to the finalisation of the sale (refer to Note 22).

There were no other contingencies.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

On 2 July 2018 the Company advised it will proceed with an agreement to earn 50% of the Bouli Gold Project in Niger through an earn-in agreement with private Turkish company SUMMA.

On 10 August 2018 the Company advised it had completed the sale of the Watershed Tungsten Project in Queensland for $15 million, less completion adjustments. Vital used a portion of the sale funds to repay $1.4 million to Macquarie, following which the Company is debt free. The Company settled the contingent amount outstanding of $330,000 to Argonaut Capital for their services as financial advisor for the sale.

Subsequent to the end of the financial year, an Amendment and Restated Royalty Deed for the Watershed Project has been executed, with Tungsten Mining NL assuming the royalty obligation to Macquarie Bank.

Other than set out above there were no other significant events after the reporting date.

	Consolidated	
	2018	2017
	$	$
23. STATEMENT OF CASH FLOWS		
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(3,253,430)**	(4,961,426)
Non-Cash Items		
Depreciation of non-current assets	**4,144**	7,522
Non-cash finance expense on loan facility	-	7,764
Share based payments	**83,309**	343,477
Shares issued in lieu of Director Fees	-	40,000
Foreign exchange differences	**(27,381)**	(8,925)
Other Adjustments		
Borrowing costs included as a cash flow from financing activities	-	-
Interest paid included as a cash flow from financing activities	-	256,831
Loss/(Profit) on sale of non-current assets	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease/(increase) in trade and other receivables	**(96,785)**	(23,084)
(Decrease)/increase in trade and other payables	**(873,217)**	1,206,768
(Decrease)/increase in provisions	-	15,251
Net cash outflow from operating activities	**(4,163,360)**	(3,115,822)

There were no non cash investing during the year (2017: Nil). Non cash financing activities of $58,903 (2017: $600,000).

Notes to the Consolidated Financial Statements continued

24. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(3,253,430)**	(4,961,426)
	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share.	**1,573,787,505**	606,394,094

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2018, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

25. SHARE-BASED PAYMENTS

(a) Broker options

55 million options were granted to brokers as part of capital raising. 25 million of these options were issued during the year.

The terms and conditions relating to the grants of the broker options are as follows, with all options to be settled by physical delivery of shares:

			Number Outstanding at Year End	
Grant Date	Expiry Date	Exercise Price	2018	2017
12 May 2017	30 April 2021	$0.02	**50,000,000**	**50,000,000**
15 September 2017	17 November 2021	$0.01	**25,000,000**	-
20 March 2018	19 July 2022	$0.015	- [(1)]	-
			75,000,000	**50,000,000**

(1) 30,000,000 Broker options were granted pre year end, but issued post year end subsequent to receiving shareholder approval on 20 June 2018.

The weighted average fair value of options granted during 2018 was 0.8 cents (2017: 0.8 cents). The value of the options has been recognised as a capital raising expense.

The value of services received was unable to be reliably measured and therefore, the price was calculated by using a Black Scholes model applying the following inputs.

Valuation information

$0.01 Options, grant date 15 September 2017	
Exercise price (cents)	1
Life of the option (years)	4.16
Expected share price volatility	100%
Risk free interest rate	1.95%
Share price at grant date	0.8

$0.015 Options, grant date 20 March 2018	
Exercise price (cents)	1
Life of the option (years)	4.08
Expected share price volatility	120%
Risk free interest rate	2.12%
Share price grant date	1.1

Notes to the Consolidated Financial Statements continued

25. SHARE-BASED PAYMENTS (continued)

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The fair value and grant date of the options is based on historical exercise patterns, which may not eventuate in the future.

(b) Employee Share Option Plan

The Vital Metals Limited 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.

The terms and conditions relating to the grants of the share option plan are as follows, with all options to be settled by physical delivery of shares:

			Number Outstanding at Year End	
Grant Date	Expiry Date	Exercise Price	2018	2017
11 December 2015	24 November 2017	$0.04	**-**	**9,687,133**
25 November 2016	25 November 2018	$0.27	**14,096,763**	**14,096,763**
23 March 2017	30 April 2021	$0.23	**27,000,000**	**27,000,000**
17 November 2017	24 November 2019	$0.012	**28,931,825**[1]	**-**
20 June 2018	19 July 2022	$0.015	**-** [2]	**-**
			70,028,588	**50,783,896**

(1) Options issued to Mark Strizek split between Tranche A and Tranche B (refer to page 12 of Directors Report)

(2) 2,666,667 Advisor options were granted pre year end on 20 June 2018, but were issued subsequent to the end of the period.

Set out below are summaries of the employee options granted:

	Consolidated			
	2018		2017	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	50,783,896	2.74	22,901,822	4.12
Granted	28,931,825	1.2	41,096,763	2.44
Forfeited/cancelled	-	-	-	-
Exercised	-	-	-	-
Expired	(9,687,133)	4	(13,214,689)	4.2
Outstanding at year-end	70,028,588	1.93	50,783,896	2.74
Exercisable at year-end	70,028,588	1.93	50,783,896	2.74

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.17 years (2017: 2.51 years), and the exercise price ranges from 1.2 to 2.7 cents.

There were no share options exercised in 2018 or 2017.

Notes to the Consolidated Financial Statements continued

25. SHARE-BASED PAYMENTS (continued)

Valuation information

Mark Strizek Options – Tranche A	
Exercise price (cents)	1.2
Life of the option (years)	2.02
Fair value per option (cents)	0.3
Expected share price volatility	100%
Risk free interest rate	1.79%
Share price at grant date – 17 November 2017	0.7

Note: No vesting conditions – vests immediately

Mark Strizek Options – Tranche B	
Exercise price (cents)	1.2
Life of the option (years)	2.02
Fair value per option (cents)	0.2
Expected share price volatility	100%
Risk free interest rate	1.79%
Share price at grant date – 17 November 2017	0.7

Note: Vesting conditions – Share price of $0.02 or greater for 10 consecutive business days prior to 31 December 2018, provide Mark Strizek remains an employee of the Company until at least 31 December 2018

Advisor Options	
Exercise price (cents)	1.5
Life of the option (years)	4.08
Fair value per option (cents)	0.57
Expected share price volatility	120%
Risk free interest rate	2.12%
Share price at grant date – 20 June 2018	1.1

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2018	2017
	$	$
Options issued to employees/directors	**83,309**	343,478
	83,309	343,478
Shares issued for capital raising (value based on options value)	**379,523**	401,093

Notes to the Consolidated Financial Statements continued

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Vital Metals Limited, at 30 June 2018. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2018 $	2017 $
Current assets	**3,289,424**	2,671,562
Non-current assets	**6,207,011**	5,522,286
Total assets	**9,496,435**	8,193,848
Current liabilities	**324,786**	136,202
Non-Current liabilities	**1,367,126**	1,308,223
Total liabilities	**1,691,912**	1,444,425
Contributed equity	**52,845,649**	47,810,512
Reserves	**2,202,955**	1,740,123
Accumulated losses	**(47,244,083)**	(42,801,212)
Total equity	**7,804,522**	6,749,423
Loss for the year	**(4,442,622)**	(1,283,040)
Total comprehensive loss for the year	**(1,442,622)**	(1,283,040)

The parent entity did not have any guarantees, contingent liabilities, or any contractual commitments for the acquisition of property, plant and equipment, as at 30 June 2018 or 30 June 2017.

Vital Metals Limited

Directors' Declaration

In the directors' opinion:

(a) the consolidated financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes set out on pages 24 to 50 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(c) the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2018, comply with Section 300A of the *Corporations Act 2001*; and

(d) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in note 1(a) to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Francis Harper

Francis Harper
Chairman

Perth, 28 September 2018

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INDEPENDENT AUDITOR'S REPORT

To the members of Vital Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vital Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

Accounting for share-based payments

Key audit matter	*How the matter was addressed in our audit*
During the financial year ended 30 June 2018, the Group issued equity instruments, in the form of options, to eligible directors, employees and brokers as detailed in Note 25. The Group performed valuations of the options and recorded the related share-based payment expense or share capital costs in accordance with AASB 2 *Share-based Payments* in the consolidated statement of profit or loss and other comprehensive income. Due to the complex and judgemental estimates used in determining the value of the options, we consider the accounting for the share-based payments to be a key audit matter.	Our audit procedures included, but were not limited to the following: • reviewing the relevant agreements to obtain an understanding of the contractual nature of the share-based payment arrangements; • assessing management's determination of the fair value of the options issued, considering the appropriateness of the valuation model used and involving our internal valuation specialists to assess the inputs used in the models; and • assessing the adequacy of the related disclosures in Note 25 to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in Directors' Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Vital Metals Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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 Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth, 28 September 2018

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.
The information is current as at 17 September 2018

(a) Distribution of quoted equity securities
Analysis of numbers of quoted equity security holders by size of holding:

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	108	38,980
1,001	-	5,000	201	595,515
5,001	-	10,000	151	1,252,495
10,001	-	100,000	1,296	72,451,465
100,001		and over	1,487	1,668,272,834
			3,243	1,742,611,289
The number of shareholders holding less than a marketable parcel of shares are:			1,366	38,197,610

(b) Twenty largest shareholders
The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Troca Enterprises Pty Ltd	83,000,000	4.76%
2	AUSDRILL INTERNATIONAL PTY LTD	68,000,000	3.90%
3	Hayes Pty Ltd	34,386,260	1.97%
4	MR ALEXANDER MICHAEL WORT	32,000,000	1.84%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,674,572	1.53%
6	MR CAIGEN WANG	24,519,273	1.41%
7	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	22,065,000	1.27%
8	ARGONAUT EQUITY PARTNERS PTY LIMITED	19,696,667	1.13%
9	NEREENA PTY LTD <NEREENA SUPER FUND>	18,922,473	1.09%
10	SOUTHERN CROSS CAPITAL PTY LTD	18,566,667	1.07%
11	JEUMONT PTY LTD <DMM SUPER FUND A/C>	17,500,000	1.00%
12	CITICORP NOMINEES PTY LIMITED	15,903,063	0.91%
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	15,200,000	0.87%
14	MR RUSSELL GREGORY GARROD	15,000,000	0.86%
15	NOVASC PTY LTD <BELLIS AUSTRALIA S/F A/C>	13,954,712	0.80%
16	MR ROSS EDWARD GUSTAFSON <VESTY SUPER FUND A/C>	12,500,000	0.72%
17	MR PAUL JOHN BERNDT	12,000,000	0.69%
17	HAMMERHEAD HOLDINGS PTY LTD <HHH S/F A/C>	12,000,000	0.69%
18	MR OWEN JOHN COOTE & MRS MONIQUE RENEE COOTE <PLATONIC SUPER FUND A/C>	11,927,543	0.68%
19	AFM PERSEUS FUND LIMITED	11,853,334	0.68%
20	MR FRANCIS ROBERT HARPER	11,700,000	0.67%
	Totals: Top 20 holders of VML Ordinary Fully Paid	**497,369,564**	**28.54%**
	Total Remaining Holders Balance	**1,245,241,725**	**71.46%**
	Total Holders Balance	**1,742,611,289**	**100.00%**

(c) Substantial shareholders

As at 17 September 2018 there were no substantial shareholders who had notified the Company in accordance with section 671B of the *Corporations Act 2001* as having a substantial interest of 5% or more in the Company's voting securities.

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attached to any class of options that is on issue.

(e) On-market Buy-Back

Currently there is no on-market buy-back of the Company's securities.

(f) Unquoted equity securities

The unquoted options outstanding are as follows:

Number	Class	Holders with more than 20% interest in that class
14,096,763	Unlisted options exercisable at 2.7 cents expiring 25 November 2018	Mark Strizek (6,506,198) David Macoboy (3,253,099)
86,153,846	Unlisted options exercisable at 1.625 cents expiring 31 December 2018	Macquarie Bank Ltd (86,153,846)
50,000,000	Unlisted options exercisable at 2.0 cents expiring 30 April 2021	Argonaut Investments Pty Ltd (25,000,000) JSR Nominees Pty Ltd (12,500,000) Francis Harper (12,500,000)
27,000,000	Unlisted options exercisable at 2.3 cents expiring 30 April 2021	Mark Strizek (15,000,000) David Macoboy (6,000,000)
25,000,000	Unlisted options exercisable at 1.0 cents expiring 17 November 2021	Argonaut Investments Pty Ltd (12,500,000) JSR Nominees Pty Ltd (6,250,000) Francis Harper Pty Ltd (6,250,000)
28,931,825	Unlisted options exercisable at 1.2 cents expiring 14 November 2019	Susan Strizek (28,931,825)
32,666,667	Unlisted options exercisable at 1.5 cents expiring 19 July 2022	Argonaut Investments Pty Ltd (10,000,000) Francis Harper (10,000,000) Boston First Capital Pty Ltd (10,000,000)

(g) Corporate Governance

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: https://www.vitalmetals.com.au/corporate/corporate-governance/