VITAL METALS LTD

ABN 32 112 032 596

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Vital Metals Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

VITAL METALS LTD

31 DECEMBER 2018

Corporate Information

ABN 32 112 032 596

Directors
Francis Harper (Non-Executive Chairman)
Peter Cordin (Non-Executive Director)
Phillip Coulson (Non-Executive Director)
Zane Lewis (Non-Executive Director)

Company Secretaries
Matthew Foy
Zane Lewis

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Share Register
Automic Registry Services
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Perth WA 6000
Telephone: 1300 288 664
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Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Internet Address
www.vitalmetals.com.au

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

VITAL METALS LTD

31 DECEMBER 2018

DIRECTORS' REPORT

Your Directors are pleased to present their report on the consolidated entity consisting of Vital Metals Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

The names of the directors who held office during or since the end of the half-year, to the date of this report as follows. Directors were in office for this entire period unless otherwise stated.

Mr Francis Harper	
Mr Peter Cordin	
Mr Phillip Coulson	Appointed 7 January 2019
Mr Zane Lewis	Appointed 6 February 2019
Mr David Macoboy	Resigned 2 July 2018
Mr Mark Strizek	Resigned 25 January 2019

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year is set out below:

	2018	
	Income	**Results**
	$	**$**
Consolidated entity income and profit	*26,452*	*5,673,690*

Bouli Gold Project, Niger

During the Period, Vital Metals announced that it had withdrawn from an earn-in agreement with private Turkish company Summa over the Bouli Gold project in Niger, West Africa. The Board conducted a review considering various factors relating to the project including the geographical situation in Niger. The Company has no further expenditure requirements under the agreement.

Aue Cobalt Project, Germany

The Aue project is in the Erzgebirge region of Germany. The area has a rich history of cobalt production with mining occurring from the 16th century through to the late 1930s.

During the period the Company received sample essays (returning 1.3% Ni, 0.8% Co, 0.3% Bi) from the Q2 2018 soil geochemistry program and commenced a second sampling program. Soil sample assays received identified strong geochemical anomalies for bismuth (up to0.29%) associated with Bi-Co-Ni mineralisation near Waschleithe and Bockau in historic mining areas.

Nahouri Project, Burkina Faso

The Nahouri project sits within the Markoye Structural Corridor in Burkina Faso, which is 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).

During the period Vital advised it had identified a vanadium-titanium-magnetite (VTM) exploration target at Tiebele, part of its Nahouri project in Burkina Faso.

Vital's review of historic, wide-spaced soil geochemistry data identified a NE-SW striking elongated vanadium anomaly (max 915ppm V - 0.16% V_2O_5) on the Nahouri permit, southeast of Tiebele. Vital's exploration geologist overlaid the high resolution aeromagnetic data and confirmed that geochemical anomaly coincided with a very pronounced magnetic anomaly.

The elongated shape of the magnetic anomaly and the combination of elevated vanadium with elevated titanium and magnetite concentration suggested that it may be caused by a V-Ti-magnetite body (VTM), similar to most significant V-Ti resources around the world.

DIRECTORS' REPORT

During May 2018, Vital's exploration team conducted a soil sampling program to test the V-Ti target, with three soil samples placed directly on the magnetic anomaly between historic samples. Two of the three confirmed the anomaly, with 1,075ppm and 528ppm V (0.19 and 0.09% V_2O_5), respectively. These samples also showed high concentrations of Ti and Fe. The third sample did only show background values but may have sampled transported cover material instead of residual soil.

Regional auger coverage of the anomaly is poor, with only one line crossing the anomaly. However, one of the auger samples close to a soil sample site reported an identical value for vanadium and titanium using Vital's portable XRF. This can be regarded as an independent confirmation for the ICP-AES soil assay.

Vital's exploration team believes that historic mapping in the area is not accurate and does not reflect the underlying geophysics and geochemistry. Taking into account all available information to date, the anomalous rock body appears to be at the interface between ultramafic rocks to the west and mafic units to the east.

Exploration target

High resolution aeromagnetic data shows a pronounced magnetic anomaly and Vital has interpreted an anomalous body using the following parameters:

- Targeted style of mineralisation is a Vanadium-Titanium-Magnetite body (VTM), similar to projects in the Yilgarn craton (e.g. Canegrass or Windmurra).
- Strike length of between 1,500m to 1,900m
- Width of 50m to 150m
- Downdip extension of 150m (the shape of the magnetic anomaly suggests a NW dip)
- Volume between 7.5M to 42.75Mm^3
- Tonnage between 22.5Mt to 171Mt (using a density range of 3t to 4t/m^3)
- Grade range of 0.2% to 0.5% V_2O_5
- Exploration target of contained 45k to 855kt V_2O_5

The potential quantity and grade of the Exploration Target reported above is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

All soil samples to date including historical samples have been analysed by ICP-AES following 4acid (near total) digestion.

CORPORATE

Director Retirement

On 2 July 2018 Vital advised that Mr David Macoboy retired as a Director of Vital effective immediately. David made a valuable contribution to the development of the Company's projects over his more than seven year tenure and the Board wishes to thank David on behalf of all shareholders.

Sale of subsidiary – North Queensland Tungsten Pty Ltd

During the period Vital finalised the sale of its Watershed Tungsten Project north of Cairns in Far North Queensland to Tungsten Mining NL (ASX: TGN) for $15 million cash consideration, 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.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

Subsequent to the end of the period, Vital announced the appointment of Mr Phillip Coulson as Non-Executive Director. Phil has over 18 years corporate advisory experience, having held senior advisory positions at Montagu Stockbrokers and Patersons Securities Limited. He has promoted and advised numerous companies in the identification and acquisition of technology and resource projects. Currently a private investor and corporate consultant, he holds debt and equity positions in a number of public and private companies.

In late January 2019, the Company advised that Mr Mark Strizek had left the Company effective 24 January 2019 and had resigned as a Director of the Company.

On 6 February 2019, the Company appointed Mr Zane Lewis as a Non-Executive Director and Joint Company Secretary of Vital. Zane is a principal and joint founder of corporate advisory firm SmallCap Corporate which specialises in corporate advice and compliance administration to ASX listed companies. He is also a fellow of Chartered Secretaries Australia.

Other than the above, there have been no other matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2018, of the Company, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2018, of the Company.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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 6.

This report is made in accordance with a resolution of directors.

Francis Harper

Francis Harper
Chairman

Perth, 15 March 2019

Competent Person's Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Mark Strizek, a Competent Person who is a Member or The Australasian Institute of Mining and Metallurgy. Mr Strizek is a full time employee of the Company. Mr Strizek has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being 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 his information in the form and context in which it appears. Additionally, Mr Strizek confirms that the entity is not aware of any new information or data that materially affects the information contained in the ASX releases referred to in this report

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

As lead auditor for the review of Vital Metals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-year 2018 $	Half-year 2017 $
INCOME			
Sundry income		4,364	1,376
Finance income		22,088	7,477
TOTAL INCOME		26,452	8,853
EXPENSES			
Share-based payments	10	(10,978)	(56,261)
Depreciation		(648)	(647)
Exploration expenses		(759,080)	(689,780)
Professional Fees		(116,124)	(90,021)
Corporate Compliance		(30,765)	(41,509)
Personnel expenses		(195,536)	(46,231)
Other administration expenses		(106,569)	(214,310)
Finance expenses		(35,911)	(91,047)
TOTAL EXPENSES		(1,229,159)	(1,229,806)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(1,229,159)	(1,220,953)
Income tax benefit / (expense)		-	-
Net loss for the half-year from contiuing operations		(1,229,159)	(1,220,953)
Profit/(Loss) from discontinued operations, net of tax	11	6,902,849	(3,029)
PROFIT/(LOSS) FOR THE HALF-YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF VITAL METALS LTD		5,673,690	(1,223,982)
OTHER COMPREHENSIVE INCOME / LOSS			
Items that may be reclassified subsequently to profit or loss:			
Disposal of reserves from discontinued operations		(449,286)	-
Exchange differences on translation of foreign operations		1,364	58,931
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF VITAL METALS LTD		5,225,768	(1,165,051)
Basic and diluted profit/(loss) per share for the half year attributable to members of Vital Metals Ltd (cents)		0.32	(0.10)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

VITAL METALS LTD
31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents	4	4,746,774	3,219,228
Trade and other receivables	5	10,126,600	166,281
Assets held for sale		-	8,484,271
TOTAL CURRENT ASSETS		14,873,374	11,869,780
NON-CURRENT ASSETS			
Property, plant and equipment		3,477	19,660
Exploration and evaluation asset	6	-	-
TOTAL NON-CURRENT ASSSETS		3,477	19,660
TOTAL ASSETS		14,876,851	11,889,440
CURRENT LIABILITIES			
Trade and other payables	7	73,976	558,075
Provisions		38,929	37,039
Borrowings	8	-	1,367,126
Liabilities held for sale		-	400,000
TOTAL CURRENT LIABILITIES		112,905	2,362,240
NON-CURRENT LIABILITIES			
Borrowings	8	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		112,905	2,362,240
NET ASSETS		14,763,946	9,527,200
EQUITY			
Contributed equity	9	52,845,649	52,845,649
Reserves		1,995,807	2,666,193
Accumulated Losses		(40,077,510)	(45,984,642)
TOTAL EQUITY		14,763,946	9,527,200

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Contributed Equity $	Share-Based Payment Reserve $	Convertible Note Reserve $	Foreign Currency Translation Reserve $	Retained Earnings $	Total $
BALANCE AT 1 JULY 2017	47,810,512	1,506,681	233,442	388,367	(42,731,212)	7,207,790
Loss for the half-year	-	-	-	-	(1,223,982)	(1,223,982)
OTHER COMPREHENSIVE INCOME/(LOSS)						
Exchange differences on translation of foreign operations	-	-	-	58,931	-	58,931
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	-	58,931	(1,223,982)	(1,165,051)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares	1,981,409	-	-	-	-	1,981,409
Share issue transaction costs	(261,226)	-	-	-	-	(261,226)
Share based payments expense	-	188,762	-	-	-	188,761
BALANCE AT 31 DECEMBER 2017	49,530,695	1,695,443	233,442	447,298	(43,955,194)	7,951,684
BALANCE AT 1 JULY 2018	52,845,649	1,969,513	233,442	463,238	(45,984,642)	9,527,200
Profit for the half-year	-	-	-	-	5,673,690	5,673,690
Transfer to retained earnings	-	-	(233,442)	-	233,442	-
OTHER COMPREHENSIVE INCOME/(LOSS)						
Disposal of Reserves from discontinued operations	-	-	-	(449,286)	-	(449,286)
Exchange differences on translation of foreign operations	-	-	-	1,364	-	1,364
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	(233,442)	(447,922)	5,907,132	5,225,768
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares	-	-	-	-	-	-
Share issue transaction costs	-	-	-	-	-	-
Share based payments expense	-	10,978	-	-	-	10,978
BALANCE AT 31 DECEMBER 2018	52,845,649	1,980,491	-	15,316	(40,077,510)	14,763,946

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

VITAL METALS LTD
31 DECEMBER 2018

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year	
	2018	**2017**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	22,088	7,748
Payments for exploration and evaluation costs	(940,195)	(1,888,568)
Payments to suppliers and employees	(495,872)	(412,580)
Net cash (outflow) from operating activities	(1,413,979)	(2,293,400)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Asset	13,739,705	-
Transfer to Term Deposit	(9,000,000)	
Payments for other costs related to the Sale of Asset	(397,071)	-
Payments for capitalised exploration and evaluation costs	-	(499,466)
Net cash inflow/(outflow) from investing activities	4,342,634	(499,466)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(1,345,350)	-
Interest paid	(57,687)	-
Proceeds from issue of shares	2,000	1,981,409
Share issue costs	-	(128,276)
Net cash inflow / (outflow) from financing activities	(1,401,037)	1,853,133
Net increase/(decrease) in cash and cash equivalents	1,527,618	(939,733)
Cash and cash equivalents at the beginning of the half-year	3,218,228	2,674,830
Effects of exchange rate changes on cash and cash equivalents	928	-
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	4,746,774	1,735,097

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Vital Metals Ltd ("the Company") is a company domiciled in Australia. The consolidated interim financial report of the Group as at, and for the six months ended 31 December 2018 comprises the Company and its subsidiaries (together referred to as the "Group").

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these statements are to be read in conjunction with the annual report for the year ended 30 June 2018. This consolidated interim financial report was approved by the Board of Directors on 16 March 2019.

The Group applies the most appropriate accounting policy for exploration and evaluation expenditure incurred for each area of interest. Exploration and evaluation expenditure for the Burkina Faso and Niger area of interests are expensed to the Statement of Profit or Loss and Other Comprehensive Income.

New policies, revised or amending Accounting Standards and Interpretations adopted

In the half-year ended 31 December 2018, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018, resulting in the application of AASB 9: Financial Instruments for the first time. AASB 9 Financial Instruments replaces the provisions of AASB 139 *Financial Instruments: Recognition and* Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. The new accounting policies (applicable from 1 July 2018) are set out below. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

AASB 9 Financial Instruments

Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost, for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the 'SPPI criterion'. This category includes the Group's trade and other receivables.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the SPPI criterion.

On transition to AASB 9 the assessment of the Group's business models was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

Impairment

From 1 July 2018 the group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables the group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

NOTE 2: ESTIMATES

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2018.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

NOTE 3: SEGMENT INFORMATION

The consolidated entity has one reportable segment being mineral exploration and prospecting for minerals in West Africa. During the half-year, the entity disposed of its interest in its Australian exploration and prospecting segment.

Half-year 2018	**Australia $**	**Discontinued Operations $**	**Burkina Faso $**	**Consolidated Total $**
Segment revenue	**4,364**	**-**	**-**	**6,929,301**
Reconciliation of segment revenue to total revenue before tax:				
Gain on disposal of subsidiary	**-**	**6,902,849**	**-**	**6,902,849**
Other income	**4,364**	**-**	**-**	**4,364**
Interest revenue	**22,088**	**-**	**-**	**22,088**
Total revenue				**6,929,301**
Segment result	**(376,452)**	**6,902,849**	**(350,766)**	**6,175,630**
Reconciliation of segment result to net loss before tax:				
Depreciation				**(648)**
Finance expenses				**(35,911)**
Other corporate and administration				**(465,382)**
Net profit before tax				**5,673,690**
Segment operating assets	**-**	**-**	**-**	**-**
Reconciliation of segment operating assets to total assets:				
Cash and cash equivalents				**4,746,774**
Receivables				**10,126,600**
Property, plant & equipment (head office)				**3,477**
Total assets				**14,876,851**
Segment operating liabilities	**-**	**-**	**6,235**	**6,235**
Reconciliation of segment operating liabilities to total liabilities:				
Payables and provisions (head office)				**106,670**
Borrowings (head office)				**-**
Total liabilities				**112,905**

NOTE 3: SEGMENT INFORMATION (Continued)

Half-year 2017	Australia $	West Africa $	Consolidated Total $
Segment revenue	-	-	10,653
Reconciliation of segment revenue to total revenue before tax:			
Other income			3,176
Interest revenue			7,477
Total revenue			10,653
Segment result	-	(693,053)	(693,053)
Reconciliation of segment result to net loss before tax:			
Depreciation			(2,097)
Finance expenses			(91,047)
Other corporate and administration			(448,438)
Net loss before tax			(1,223,982)

At 30 June 2018	Australia $	Burkina Faso $	Consolidated Total $
Segment operating assets	3,331,532	60,000	3,391,532
Reconciliation of segment operating assets to total assets:			
Cash and cash equivalents			3,177,288
Receivables			148,303
Property, plant & equipment (head office)			6,848,221
Total assets			13,565,343
Segment operating liabilities	-	1,684,454	1,684,454
Reconciliation of segment operating liabilities to total liabilities:			
Payables and provisions (head office)			986,563
Borrowings (head office)			1,367,126
Total liabilities			4,038,143

NOTE 4: CASH AND CASH EQUIVALENTS

	31 December 2018 $	30 June 2018 $
Cash at bank and on hand	2,721,615	3,210,478
Short-term deposits	2,025,159	8,750
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**4,746,774**	**3,219,228**

NOTE 5: RECEIVABLES

	31 December 2018 $	30 June 2018 $
Security deposits	**-**	8,750
Prepayments	**27,975**	26,493
Term Deposits (maturity > 3 months)	**9,000,000**	-
Other receivables[1]	**1,098,625**	131,038
Total	**10,126,600**	166,281

[1] Other receivables includes $1,000,000 receivable from Tungsten Mining NL in relation to the disposal of North Queensland Tunsgten Pty Ltd. The amount has been received in full subsequent to the end of the period.

NOTE 6: EXPLORATION AND EVALUATION ASSET

	31 December 2018 $	30 June 2018 $
Opening balance	8,484,271	7,588,322
Exploration expenditure	940,195	4,261,072
Exploration expenditure – expensed	(940,195)	(3,365,123)
Disposal of Asset	(8,484,271)	-
Closing balance	-	8,484,271

NOTE 7: TRADE AND OTHER PAYABLES

	31 December 2018 $	30 June 2018 $
Trade creditors	23,191	425,668
Accrued expenses	44,510	85,178
Other paybles	6,275	47,229
Closing balance	73,976	558,075

NOTE 8: BORROWINGS

	31 December 2018 $	30 June 2018 $
Current Liability		
Bank facility – Macquarie	-	1,367,126
Closing Balance	-	1,367,126

During the period, the Company fully settled the outstanding Macquarie Bank Loan facility of $1.4 million subsequent to the disposal of the Watershed Tungsten Project.

NOTE 9: CHANGES IN EQUITY SECURITIES ON ISSUE

Movements in shares on issue during the half year	Number of Shares	$
Beginning of the half year	1,742,611,288	52,845,649
Issued during the half year:		
	-	-
Less: Transaction costs	-	-
End of the half year	**1,742,611,288**	**52,845,649**

Movements in options on issue during the half year

	Options
Beginning of the half year	231,182,434
Issued during the half year:	
– Exercisable at 1.5 cents and expiring 19 July 2022	32,666,667
Expired during the half year:	
– Exercisable at 2.7 cents and expiring 25 November 2018	14,096,763
– Exercisable at 1.625 cents and expiring 31 December 2018	86,153,846
End of the half year	**163,598,492**

NOTE 10: SHARE BASED PAYMENTS

The Vital Metals Ltd has issued the following share-based payments on issue to employees.
Set out below are summaries of the options granted:

	Consolidated			
	31 December 2018		31 December 2017	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the half year	145,028,588	1.8	186,937,742	2.0
Employees:				
Granted	2,666,667	0.2	28,931,825	1.2
Forfeited	(14,096,763)	0.3	(9,687,133)	4.0
Brokers:				
Granted	30,000,000	0.3	25,000,000	1.0
Forfeited	-	-	-	-
Outstanding at half year-end	165,598,492	1.7	231,182,434	1.7
Exercisable at half year-end	165,598,492	1.7	216,716,521	1.7

The weighted average remaining contractual life of share options outstanding at the end of the half year was 2.14 years (2017: 2.19 years), and the exercise price ranges from 1.0 to 2.3 cents.

NOTE 10: SHARE BASED PAYMENTS (continued)

The fair value of options issued during the half year were calculated by using a black-scholes pricing model applying the following inputs. These options were granted in the prior period, therefore they were expensed during the 30 June 2018 financial year.

	Advisor	Brokers
Grant date	20/06/18	20/06/18
Share price at grant date	$0.011	$0.011
Exercise price	$0.015	$0.015
Life the option (years)	4.08	4.08
Expected share price volatility	120%	120%
Weighted average risk free interest rate	2.12%	2.12%
Fair value per option	$0.0057	$0.0057

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.

For service provider options the value of the service received was unable to be measured reliably and therefore the value was measured by reference to the fair value of the options issued.

(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 directors*	10,978	56,261
Options issued to brokers	-	132,500
	10,978	188,761

*Options previously issued to director Mark Strizek vested and were expensed during the half year.

NOTE 11: DISCONTINUED OPERATIONS

On 10 August 2018, the Company disposed of 100% of its interest in their subsidiary North Queensland Tungsten, including the Watershed Tungsten Project in Queensland, to Tungsten Mining NL. The financial information relating to the discontinued operation for the period to the date of disposal is set out below.

	10-Aug	31-Dec
Results from Discontinued Operations	2018	2017
	$	$
Revenue	-	1,800
Expenses	(23,709)	(4,828)
Profit/(Loss) before Income Tax	(23,709)	(3,028)
Income Tax (expense)/benefit	-	-
Results from Operating Activities after tax	(23,709)	(3,028)
Loss from Discontinued Operations	(23,709)	-
Cash Flows Used in Discontinued Operations		
Net cash used in Operating Activities	(14,624)	(3,453,824)
Net cash inflow from Investing Activities	-	-
Net cash flows for the period	(14,264)	(3,453,824)

NOTE 11: DISCONTINUED OPERATIONS (continued)

(i) Profit on Sale of subsidiary assets	**10-Aug 2018 $**
Consideration Received	
Cash	13,739,705
Escrowed funds	1,000,000
Total disposal consideration	14,739,705
Carrying amount of net assets sold	(7,889,071)
Costs of disposal	(397,071)
Gain on sale of subsidiary before income tax and reclassification of foreign currency translation reserve	6,453,563
Reclassification of foreign currency translation reserve	449,286
Income tax expense on gain	-
Gain on sale of subsidiary after reclassification of foreign currency translation reserve	6,902,849

NOTE 12: COMMITMENTS AND CONTINGENCIES

The Group does not have any contingent assets or commitments at reporting date.

NOTE 13: EVENTS OCCURING AFTER THE REPORTING PERIOD

Subsequent to the end of the period, Vital announced the appointment of Mr Phillip Coulson as Non-Executive Director. Phil has over 18 years corporate advisory experience, having held senior advisory positions at Montagu Stockbrokers and Patersons Securities Limited. He has promoted and advised numerous companies in the identification and acquisition of technology and resource projects. Currently a private investor and corporate consultant, he holds debt and equity positions in a number of public and private companies.

In late January 2019, the Company advised that Mr Mark Strizek had left the Company effective 24 January 2019 and had resigned as a Director of the Company.

On 6 February 2019, the Company appointed Mr Zane Lewis as a Non-Executive Director and Joint Company Secretary of Vital. Zane is a principal and joint founder of corporate advisory firm SmallCap Corporate which specialises in corporate advice and compliance administration to ASX listed companies. He is also a fellow of Chartered Secretaries Australia.

Other than the above, there have been no other matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2018, of the Company, or
(b) the results of those operations, or
(c) The state of affairs, in financial years subsequent to 31 December 2018, of the Company.

NOTE 14: RELATED PARTY TRANSACTIONS

10,000,000 options exercisable at $0.015 expiring 19 July 2022 were issued to Blackwood Capital following shareholder approval at the General Meeting on 20 June 2018. The value of these share based payment transactions is included in the disclosure in Note 10, and were issued as compensation for brokerage fees for services associated with raising capital for the Company. Francis Harper is a director of Blackwood Capital.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
2. as set out in Note 1, there are reasonable grounds to believe that Vital Metals Ltd will be able to pay its debts as and when they become due and payable.

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

Francis Harper

Francis Harper
Chairman
Perth, 15 March 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Vital Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Vital Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 15 March 2019