vital METALS

Annual Report

For The Year Ended
30 June 2021

Company Details

Directors

Evan Cranston - Non-Executive Chairman
Geoff Atkins - Managing Director
James Henderson - Non-Executive Director

Company Secretary

Ms Louisa Martino

Banker

National Australia Bank Ltd
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Perth, WA, 6005

Auditors

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Stock Exchange

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Chairman's Letter

To have achieved so much during a period that has continued to be impacted by challenges and uncertainty due to the global pandemic is a testament to the quality of our management team

Evan Cranston, Chairman

Dear Fellow Shareholders, I am delighted to present the 2021 Annual Report for Vital Metals Limited (ASX: VML), reflecting on a year which has certainly been transformational for our company as we became Canada's first – and North America's second – rare earth producer at our Nechalacho project in Northwest Territories (NWT).

Production is underway and ramping up well at Nechalacho, with our ore sorter now commissioned and performing above expectations, having produced a high-beneficiated product from a single pass of low-grade stockpile material during commissioning and training.

We are now starting to process material from the medium and high-grade stockpiles. We made the decision to adopt X-ray ore sorting technology at Nechalacho as this has a much lower environmental impact and it is pleasing that we are now seeing the operational benefits of this decision.

Another pleasing recent development was the intersection of high-grade REO mineralisation in the pit wall at North T which we are mining in our first stage of operations at Nechalacho. North T has an existing high-grade Mineral Resource of 101,000 tonnes at 9.01% LREO (comprised of a Measured Resource of 68,000 tonnes at 9.60% LREO and an Indicated Resource of 33,000 tonnes at 7.80% LREO)[1].

1 ASX Announcement 15 April 2020: Substantial Increase in Resource Size and Grade at North-T Zone Nechalacho

This new material provides potential for Vital to expand the North T pit beyond the current mine plan in the future and we will undertake further work on this during the next 12 months.

In parallel, we continue to execute our strategy for growth at Nechalacho with drilling for a Stage 2 mine plan which would see us mine the much larger Tardiff Zones. We've had encouraging results on this through the year, with drilling intersecting high-grade rare earth mineralisation from all three Tardiff Zones.

We also received positive results from Stage 2 metallurgical testwork, which highlighted the potential to continue a similar process flowsheet as used in Stage 1 operations, with perhaps the addition of an extra step in Stage 2 due to the finer nature of Tardiff mineralisation. These developments have been very encouraging for our plans for a large-scale, long life REO operation at Nechalacho.

Our planned acquisition of Quebec Precious Metals Corporation's interest in the Kipawa (68%) and Zeus (100%) projects is an exciting next step for Vital Metals, particularly at Kipawa where we can optimise the 2013 Definitive Feasibility Study to minimise capital and operating expenditure.

Our strategy is to identify the most efficient and effective way to develop our projects and we see opportunities to do this at Kipawa. I look forward to seeing our progress on adding heavy rare earths into our product suite in the year ahead. The development of Nechalacho and the planned acquisition of Kipawa and Zeus has set the foundations for Vital Metals to become a strategic player in the North American critical minerals supply chain at a time when demand is increasing.

During the past year, shareholders have continued to support Vital Metals, and this enabled us to complete two important capital raisings - $8 million in September 2020 to purchase the ore sorter and prepare for operations, and a transformational $43 million placement in March 2021 which fully funded construction, mining and operations at Nechalacho, allowing production to commence.

We thank our existing shareholders for their ongoing commitment and belief in Vital and welcome new investors to our register.

Subsequent to year-end, we announced the engagement of Ecoban Securities Corporation ("Tectonic") to serve as our North American investor relations and capital markets consultant and advisor.

Tectonic played a key role in the introduction of strategic investors as part of the $43M capital raise. Tectonic will assist Vital with shareholder maintenance, introduction to institutional investors and other relevant market participants and potential strategic investors and also provide advice and support on US listing options.

It certainly has been a busy and productive year for Vital and its Canadian subsidiary Cheetah Resources Corp. to have achieved so much during a period that has continued to be impacted by challenges and uncertainty due to the global pandemic is a testament to the quality of our management team. I thank all our management and staff who have worked so hard over the past 12 months to help Vital achieve its goal of becoming Canada's first rare earth producer and look forward to seeing what we can achieve in the year ahead.

Yours sincerely
Evan Cranston, Chairman

Review of Operations

Nechalacho Rare Earths Project, Canada

Vital's focus during the reporting period continued to be the development and exploration of its 100%-owned Nechalacho Rare Earths Project in Yellowknife, Northwest Territories ("NWT"), Canada, where it commenced mining and development at the North T Zone.

In late March, Vital announced the commencement of mining operations at Nechalacho, with the contract mining fleet mobilising to site. Local mining contractor, Det'on Cho Nahanni Construction commenced operations at Nechalacho's North T Zone following mobilisation via the private Nechalacho ice road, a 110km long, 1.1m thick engineered ice road on the Great Slave Lake from Dettah, Yellowknife Bay, NWT to the Nechalacho Rare Earth Project on the Hearne Channel in Chief Drygees Territory.

Vital and its subsidiary Cheetah Resources Corp. held a ceremony on 20 March 2021 marking the commencement of mobilisation.

Commencement of mining followed the signing of a definitive mining contract with Det'on Cho Nahanni Construction in February after a Memorandum of Understanding executed in January 2020 established Det'on Cho Nahanni Construction as the preferred Mining Services Contractor (ASX Announcement 23 January 2020).

Figure 1 - Vital's private ice road to the Nechalacho project

Det’on Cho Nahanni Construction is 51% owned by Det’on Cho Corporation, which is in turn owned by the Yellowknives Dene First Nation. The scope of work under the mining contract includes mining, site clearing, preparation of retention pond, site roads, ROM pad, plus crushing and screening.

Det’on Cho Nahanni Construction will mine the North T Zone as a small open pit, with material transported to Vital’s ore sorter on site at Nechalacho for sorting. This will create a product suitable for further processing off-site at Vital Metal’s rare earth extraction plant, to be constructed in Saskatoon, which will produce a mixed rare earth carbonate product for sale to separation facilities.

Det’on Cho Nahanni Construction completed mining and crushing during a single six-month campaign, under the control and direction of Cheetah Resources Corp. Mining activities are scheduled for completion during the September quarter.

Mined ore will be stockpiled for use in ore sorting operations, which will be undertaken by Cheetah personnel during the summer periods of 2021 to 2023.

It is anticipated that a second mining campaign will be required in 2024 to replenish stockpiles.

Vital Metal’s strategy is to develop Nechalacho in two stages. Stage 1 of the operations focuses on the North T Zone resource (101,000 tonnes at 9.01% LREO comprised of a Measured Resource of 68,000 tonnes at 9.60% LREO and an Indicated Resource of 33,000 tonnes at 7.80% LREO)[2] and Stage 2 will involve the development of the much larger Tardiff deposit.

2 ASX Announcement 15 April 2020: Substantial Increase in Resource Size and Grade at North-T Zone Nechalacho

Production Commences

On 6 July 2021, Vital announced it had commenced rare earth production at Nechalacho with mining contractor, Nahanni Construction Limited completing the first ore blast on 28 June and ore mining on 29 June. Ore crushing commenced on 30 June.

With achievement of this milestone, Vital became Canada's first rare earths producer and only the second in North America. Vital ramped up crushing and ore sorting during July. Beneficiated material is being stockpiled for transport to Vital's extraction plant in Saskatoon.

Installation of the ore sorter is complete, and commissioning occurred on 30 June 2021. Vital commenced processing ore from North T through the Nechalacho ore sorter during July as part of commissioning and training operations.

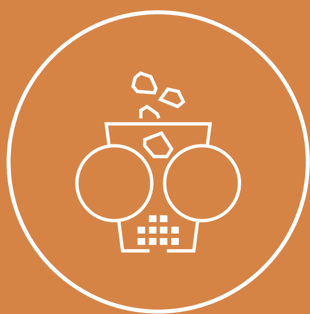
Using only material from the low-grade stockpile (~2-5% TREO), the ore sorter has produced a high-grade beneficiated product from a single pass. With a target concentrate specification of above 35% TREO, a visual inspection of final product and the ratio of rare earth minerals (red bastnaesite) to waste (white quartz) indicates that the ore sorter has performed as expected.

The immediate production of high-grade product, from this material, has exceeded expectations. Vital commenced processing material from the high and medium grade stockpiles in August.

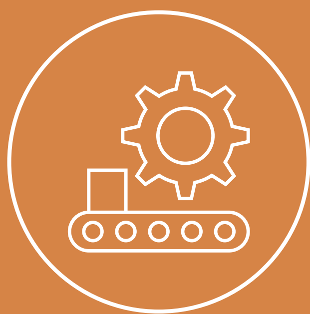
Vital Metals and its 100% owned subsidiary, Cheetah Resources Corp. held a ceremony on 21 July 2021, which included representatives from the Yellowknives Dene First Nation (YKDFN)

26 March 2021
Commence mining operations

29 June, 2021
Commenced ore mining



29 June, 2021
Commenced ore crushing



6 July, 2021
Commenced rare earth production

and local media outlets to witness rare earth production at Nechalacho. Vital's operation at Nechalacho is the first time an indigenous business is extracting mineral resources from its own territory in Canada, with Det'on Nahanni Construction Ltd, a YKDFN-owned business, completing contract mining at the site.

Mining at Nechalacho's North T pit has intersected high-grade REO mineralisation in the northern edge of the pit wall, which is not included in North T's existing high-grade Mineral Resource of 101,000 tonnes at 9.01% LREO (comprised of a Measured Resource of 68,000 tonnes at 9.60% LREO and an Indicated Resource of 33,000 tonnes at 7.80% LREO[3]). This new material provides potential for Vital to expand its operations in the North T pit beyond the current mine plan.


Figure 2 - Overhead image of site with ore sorter in the foreground and pit in the background

3 ASX Announcement 15 April 2020: Substantial Increase in Resource Size and Grade at North-T Zone Nechalacho

Figure 3 - Representatives of Yellowknives Dene First Nation joined in a traditional ceremony at Nechalacho

Drilling for Stage 2 Mine Plan

In February, Vital Metals announced it had entered a drilling contract through its subsidiary, Cheetah Resources Corp. with NorthTech Ltd, a Yellowknife-based drilling company. The 1,800m drill program commenced to test three high-grade targets in the Tardiff deposit and evaluate potential expansion of the T Zone by targeting two additional zones, Tardiff Zones 2 and 3, which lie adjacent to the planned North T pit, where Vital Metals commenced production.

Drilling aims to enable Vital Metals to develop a mine plan for the Nechalacho Stage 2 mine development, as well as define additional resources in the vicinity of the current pit.

Tardiff Zone 1

Vital reported results from the drill program in May 2021, with close-spaced drilling at Zone 1 defining a strong zone of higher-grade REO mineralisation with wide intersections greater than 2% total rare earth oxides (TREO). The higher-grade mineralisation in Zone 1 was drilled on a 25m x 25m grid over a distance of 300m x 100m in all directions. Importantly, the highest grades were intersected on the most northern and southern sections.

Significant intersections in Zone 1 included[4]

Hole Name	From (m)	To (m)	Interval (m)	TREO Grade (%)
L21-551	35.75	50.3	14.55	2.48
L21-555	36.0	49.0	13.0	3.12
L21-559	15.3	41.1	25.8	2.56
L21-563	11.4	72.3	60.9	1.92
L21-564	16.0	56.0	40.0	2.54
L21-565	11.5	43.3	31.8	4.35
L21-566	15.5	56.0	40.5	2.35

Table 1 - Tardiff Zone 1 drill results

4 ASX Announcement 26 May 2021: Vital Intersects broad high-grade REO in near surface drilling at Tardiff Zone

Tardiff Zone 2

Drilling on Zone 2 was designed to get a better understanding of high-grade REO mineralisation that is not currently included in the 2019 resource estimation. All holes were drilled to a maximum of 72m.

Vital drilled five drill holes at Tardiff Zone 2 to investigate high-grade REO mineralisation identified by drill holes drilled in the 1980s with minor follow-up by Avalon in 2013. The 1980s drilling returned high-grade assays but Vital's experience of REO assaying at Nechalacho in the 1980s found it was not accurate for resource estimation.

REO assaying of the 1980s drill holes was sporadic and much of the core had not been assayed for TREO where high zirconium grades indicate high-grade REO would have been in the core. Vital decided to position five holes to get an understanding of the thickness and grade of the REO mineralisation in the Tardiff Zone 2 area.

All five holes drilled at Tardiff Zone 2 successfully intersected the REO mineralisation and demonstrated similar grades and intercept lengths to nearby historic drill holes. Pleasingly, holes L21- 269 and L21-570 on the western side shows the high-grade REO mineralisation is open to the west and appears to be getting thicker and higher grade to the west.

The 2021 drilling has shown there is potential for a significant high-grade REO resource in the Tardiff Zone 2 area and further drilling is required to delineate the size and grade of this zone of mineralisation[4].

Hole Name	From (m)	To (m)	Interval (m)	TREO Grade (%)
L21-567	3	25.6	22.6	1.54
L21-567	37	50	13	1.53
L21-568	3.8	9	5.2	2.36
L21-568	16.6	19.4	2.8	3.92
L21-569	8	11.5	3.5	1.88
L21-569	24.9	50	25.1	3.03
L21-570	12	31	19	2.05
L21-571	11	15	4	1.12

Table 2 - Tardiff Zone 2 drill results

4 ASX Announcement 3 August 2021: Vital Intersects high-grade REO in Tardiff Zones 2 & 3 including outside existing resource at Nechalacho

Tardiff Zone 3

Tardiff Zone 3 was drilled on a close spacing (25m x 25m) to enable resource confidence levels to be upgraded to allow mining and processing studies.

Historical drill holes from drilling programs by Avalon Materials Inc between 2007 and 2013 targeted the heavy rare earth rich Basal Zone (below the Vital Metals owned Upper Zone). The targeting of the Basal Zone resulted in very poor definition of the Upper Zone, as many of the holes were drilled as fans from a single drill pad.

One of these fans of five holes delineated a high-grade zone of REO mineralisation near the surface. As the fan of five holes were drilled from one drill pad, the high-grade mineralisation was only defined over a small area of 25m x 30m and it was unknown if the high grades extended beyond this small area.

Vital completed five holes to the north, south and west of the historic fan of holes, aiming to increase the size of the high-grade zone and understand the extent and orientation of the high-grade zone.

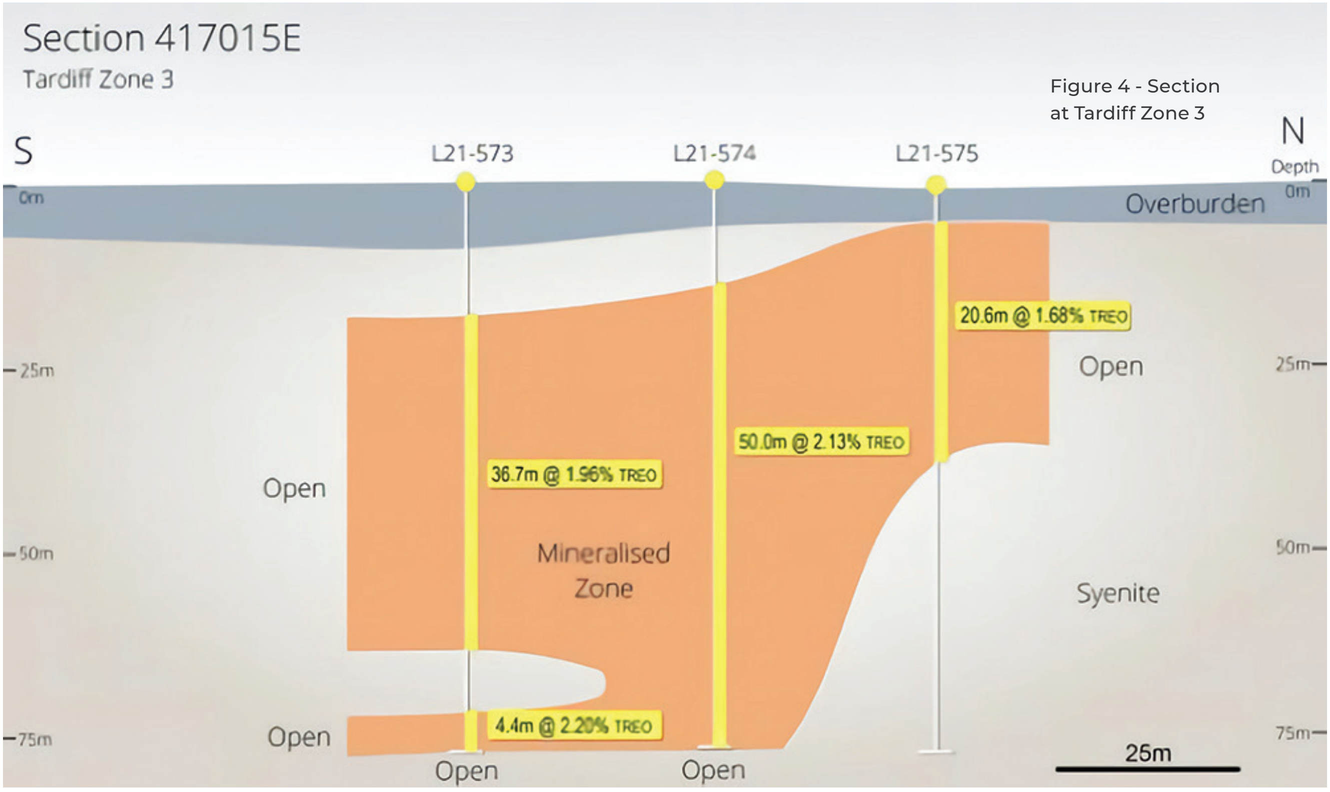


Figure 4 - Section at Tardiff Zone 3

All five drill holes at Tardiff Zone 3 successfully intersected the higher-grade REO mineralisation, with the high-grade mineralisation open in all directions. It appears the high-grade zone strike is in an east-west direction and dips to the south[5].

Vital will plan further drilling to better understand the potential of this zone of high-grade mineralisation.

Results for the Tardiff Zone 1, 2 and 3 drilling demonstrate that broad high-grade zones of significant tonnages are present within the larger Upper Zone, with the previous drilling programs undertaken by Avalon being too wide to delineate these zones and their extent.

In addition, the drilling program undertaken at Tardiff Zone 2 indicate the potential for a significant high-grade resource, which is not currently contained within the Mineral Resource estimate.

Following the positive nature of these results, coupled with the results achieved from the scouting metallurgical testwork program, Vital will proceed to define a mining and processing operation at Tardiff, which will commence utilising Tardiff Zone 1 ore before expanding into Zones 2 and 3.

As part of this program, Vital will undertake further drilling for all three of the Tardiff Zones. The goals of this program will be to delineate the boundaries of the three Tardiff high-grade zones in addition to identifying the relationships between the zones, including whether they are in fact connected.

With several holes ending in high-grade mineralisation, the future drill program will test the full depth of the high-grade zones. Vital expects this drilling to commence during the northern winter.

Hole Name	From (m)	To (m)	Interval (m)	TREO Grade (%)
L21-572	22.75	33	10.25	1.83
L21-572	37	50	13	2.31
L21-573	14.5	51.2	36.7	1.96
L21-573	57.6	62	4.4	2.20
L21-574	11	62	51	2.13
L21-575	3.8	29.8	26	1.68
L21-576	5.3	17	11.7	1.87
L21-576	21	30.3	9.3	1.71

Table 3 - Tardiff Zone 3 drill results

5 ASX Announcement 3 August 2021: Vital Intersects high-grade REO in Tardiff Zones 2 & 3 including outside existing resource at Nechalacho

In addition to rare earths, this zone also contains zircon and niobium grades, which are comparable with other polymetallic rare earth projects

Staged strategy for Nechalacho

In Vital Metal's strategy for Nechalacho, Stage 2 envisages the development of several high-grade zones identified within the Tardiff (Upper Zone) deposit. The Company previously announced this deposit's total resource of 95 million @ 1.46% TREO comprised of a Measured Resource of 2.9Mt at 1.47% TREO, an Indicated Resource of 1.5Mt at 1.51% TREO and an Inferred Resource of 77.2Mt at 1.46% TREO[6]. The Tardiff deposits are envisaged as providing the resource for the long-term operation and expansion of the project.

In addition to rare earths, this zone also contains zircon and niobium grades, which are comparable with other polymetallic rare earth projects and were also the subject of feasibility test work previously undertaken at Nechalacho by Avalon Advanced Materials Inc.

Key features of the proposed Stage 2 operations are as follows:

- Long-term/large-scale commercial operation providing long-term security to the rare earth supply chain;
- Fund expansion and the development of Tardiff deposit through the sale of mixed RE carbonate from the North T zone currently being mined; and
- Vital Metal's Definitive Offtake Agreement with REEtec (see below) provides the option for the supply of up to 5,000t REO (ex-Cerium)/year for a period of more than 10 years. Should this option be exercised, this will be a cornerstone for Stage 2 operations at the Tardiff Zone.

Previous work on the Tardiff deposit identified several high-grade targets, which contained similar bastnaesite mineralisation to the North T resource.

6 ASX announcement 13 December 2019: Vital announces JORC 2012 Compliant Resources for the Nechalacho Rare earth Deposit

Positive results from Stage 2 metallurgical testwork

In June, Vital announced positive results from metallurgical testwork completed on samples from the Tardiff zone, which demonstrated the potential to continue a similar process flowsheet in Stage 2 at Nechalacho, with the introduction of an additional beneficiation process due to the finer nature of rare earth mineralisation at Tardiff. A similar process flowsheet in Stage 2 has the potential to produce a beneficiated product with a REO grade greater than 35%.

Vital aims to mine the much larger Tardiff Zone, which has a total resource of 95 million tonnes @ 1.46% total rare earth oxides (TREO) comprised of a Measured Resource of 2.9Mt at 1.47% TREO, an Indicated Resource of 1.5Mt at 1.51% TREO and an Inferred Resource of 77.2Mt at 1.46% TREO (1.3 million tonnes of contained TREO)[7] after North T, during Stage 2 of the development strategy. Development of the Tardiff Zone is targeted for commencement in 2025.

In its metallurgical scouting test program, Vital aimed to test the amenability of ore from the Tardiff Zone 1 area to the North T zone process flowsheet. Using a 770kg sample taken from Tardiff Zone 1, the program tested grindability, ore sorting via X-ray transmission, several separation methods – heavy liquid, gravity and magnetic as well as, acid leaching.

The sample also underwent flotation testwork, which is not part of the Stage 1 flowsheet, and returned promising results. A report on the testwork concluded the sample demonstrated amenability to each step of the Stage 1 process flow sheet.

The results of the scouting testwork program achieved results which were better than expected. The composite sample demonstrated amenability to each step of the North T process flow sheet. As expected, due to the finer grain sizes at Tardiff than at North T, the testwork indicated that a flotation circuit, or some other additional beneficiation technique, will likely be required to achieve the required feed grade into the kiln. Flotation showed great promise in terms of high REO grade, low mass pull and reasonable REO recovery.

The best flowsheet may include, ore sorting, DMS on +0.6 mm crushed ore to reduce the mass of ore feeding the mill by ~50%, followed by milling of the DMS concentrate and the -0.6 mm ore to a grind size of 100% passing ~ 75 μm. The mill product would then be upgraded to final concentrate grade by flotation but could also include gravity and/ or magnetic separation for certain process streams.

Of note was that with optimisation, flotation demonstrated the potential to achieve a 35% REO grade as a standalone process treating ore with a grade of 2.3% REO. When preconcentration steps of ore sorting, HMS and shaking table circuits are added, the testwork indicates that a grade of 7-8% REO should be achievable going into the flotation circuit. This should improve the final concentrate grades and recoveries even further. Further testwork on representative samples is required to optimise this flowsheet, which Vital will commence during the September 2021 quarter.

In addition to the beneficiation testwork, the confirmation that Tardiff Zone 1 material will also be amenable to the North T leaching process is also extremely promising. The ability to maximise the utilisation of existing processing infrastructure provides the opportunity to greatly reduce capital costs as we transition from processing North T ore to Tardiff Zone 1 in Stage 2.

7 ASX announcement 13 December 2019: Vital announces JORC 2012 Compliant Resources for the Nechalacho Rare earth Deposit

Offtake agreement

In December 2020, Vital announced it had signed a binding term sheet setting out in-principle terms for an offtake and profit-sharing agreement in respect of raw material from the Nechalacho mine between the Company and Norwegian REE separation company, REEtec AS ("REEtec"). Vital's definitive agreement with REEtec was executed as announced on 2 February 2021.

Under the definitive Offtake Agreement, Vital Metals will provide REEtec mixed rare earth carbonate product containing an annual volume of 1,000 REO (ex-Cerium) over five years. Both parties have an option to increase this offtake volume by up to 5,000 tonnes REO per annum over 10 years (subject to a corresponding supply agreement). Offtake volumes will be calculated based on the quantities of rare earth contained within a mixed rare earth carbonate product, excluding any cerium (ex-Cerium), which typically accounts for approximately 50% of total rare earths.

Both companies agreed on a pricing mechanism to secure each party a guaranteed minimum payment, equal to their cost of production, plus a share of the margin. The margin results from the actual sales price achieved by REEtec less the combined guaranteed minimum payments and the transportation costs of finished products for both Vital and REEtec.

The rights and obligations in the term sheet are subject to both Vital and REEtec proceeding with a final investment decision ("FID") for the development of their respective commercial plants (with raw material sourced from the Nechalacho mine) and the completion of agreed stages to delivery of product.

As part of its agreement with REEtec, Vital produced a 12kg sample of rare earth carbonate in accordance with customer acceptance protocols. Vital worked with REEtec to finalise the rare earth carbonate specification and associated process flowsheet, which will minimise the combined Vital and REEtec operating costs to produce separated rare earth oxides.

Vital announced that REEtec had formally accepted its rare earth carbonate sample produced at Nechalacho, satisfying Stage 2: Qualification of Specification, in May 2021.

Saskatoon rare earth extraction plant

In May, Vital announced it had signed a lease for its rare earth extraction plant in Saskatoon, Canada, where it will process materials from Nechalacho. The lease provides Vital with a custom-built facility to house the extraction plant and commences 1 November 2021.

An initial 10-year lease agreement between Vital Metals' subsidiary, Cheetah Resources Saskatchewan Corp. and Northstar Innovative Developments Inc. ("Northstar") will see Vital Metals' extraction plant located adjacent to Saskatchewan Research Council's (SRC) rare earth separation facility, creating a rare earth processing hub in Saskatoon.

Northstar also owns the land where SRC is developing its project. SRC's rare earth processing facility will be the first-of-its-kind in Canada and will begin to establish a fully commercial Rare Earth Element (REE) technology hub in Saskatchewan, forming an industry model for future commercial REE initiatives and supply chain development.

Vital expects to deliver its first product from Nechalacho to Saskatoon in November 2021. Key terms of Vital's lease with Northstar can be found in the ASX Announcement dated 21 May 2021.

The lease was signed after Vital entered into a binding Term Sheet between Cheetah Resources Corp. and SRC.

The Term Sheet provides that the parties will negotiate and enter into two definitive agreements: one for the design, procurement, construction and commissioning of the Plant (the "EPCM Agreement"); and a second for the operation of the Plant (the "Processing Agreement") (together, the "Definitive Agreements"), which will address the scope of services, capital cost estimate, and permits/approvals.

The plant is expected to be fully operational in late 2022 with construction anticipated to commence in Quarter 4 2021.

Funding agreement with Canadian Northern Economic Development Agency

Vital's Canadian subsidiary, Cheetah Resources Corp. signed a funding agreement with the Canadian Northern Economic Development Agency ("CanNor") for C$1.26 million relating to the Nechalacho ore sorter.

Cheetah will use the funding to demonstrate the environmental, technical and economic advantages of single step sensor-based sorting of rare earth ore to produce a value-added mixed rare earth concentrate in the NWT, which it will transport to Saskatoon and then ship to offtake partner, REEtec.

Compared to other REE beneficiation processes, this scalable mechanically-based process significantly reduces the environmental footprint. It uses much less diesel, little or no water, involves no additives or chemicals, and eliminates tailings ponds that typically accompany metal mining.

Cheetah is developing production capacity to concentrate REE ore for export from the NWT for downstream processing. It is estimated that the project will create 22 jobs and expand and maintain seven others during the demonstration phase.

The Canadian Northern Economic Development Agency (CanNor) is the Government of Canada's Regional Economic Development Agency for the Territories. CanNor works with Northerners and Indigenous peoples, communities, businesses, organisations, other federal departments, and other orders of government to help build diversified and dynamic economies that foster long-term sustainability and economic prosperity across the Canadian territories – Nunavut, Northwest Territories and Yukon.

Terms of the CanNor Repayable Contribution are as follows:

- Amount of the repayable contribution: C$1.26 million;
- Term of the repayable contribution: 10 years beginning in FY 2023/24;
- Interest rate: 0%;
- Repayment terms: monthly instalments over 10 years, commencing FY2023/24;
- Funds will be disbursed within the next 12 months, they are repayable at any time without penalty, there is no security associated with the repayable contribution

As at 30 June, no funds had been received under the funding agreement.

Wigu Hill Project
Tanzania

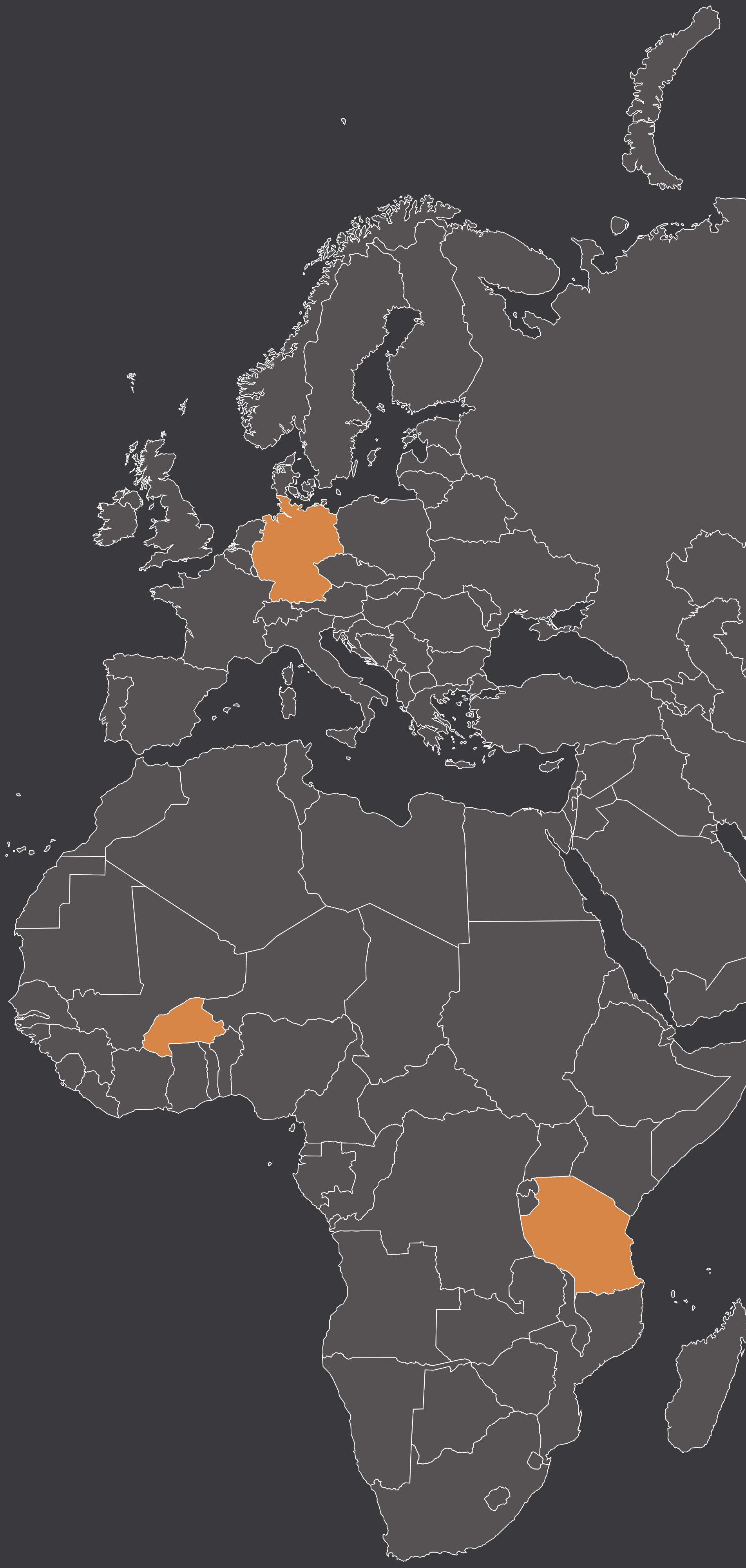
Vital continued discussions with the Tanzanian Government regarding the issuance of a Mining Licence (ML) for the Wigu Hill rare earth project and is working towards a meeting with Government in Tanzania however, this is currently impacted by COVID-19 travel restrictions.

Nahouri Gold Project
Burkina Faso

Vital suspended all exploration activity in Burkina Faso – activities are yet to resume.

Aue Cobalt Project
Germany

There were no exploration activities at Vital's Aue project during the period.




CHEETAH

Annual Mineral Resource Statement

The Company's Mineral Resource Statement has been complied and is reported in accordance with the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC 2012 edition) and Chapter 5 of the ASX Listing Rules.

Vital's governance arrangements and internal controls for reporting its Mineral Resource Estimate includes reporting on an annual basis and in compliance with the 2012 Edition of JORC and the ASX Listing Rules. The Competent Person is suitably qualified and experienced, as defined in the 2012 Edition of JORC.

Nechalacho Rare Earths Project

As at 30 June 2021, the Nechalacho Rare Earths Project has a Mineral Resource Estimates, as defined in Tables 1 and 2 below. There have been no changes to the Mineral Resource Estimates since the 2020 Annual Resource Statement.

The annual Mineral Resource Estimate in respect of the Nechalacho Rare Earths Project is based on, and fairly represents, information and supporting documentation prepared by a competent person. The Mineral Resource Estimate as a whole has, as to the form and content in which it appears in the Annual Report, been approved by Mr Brendan Shand. Mr Shand is a Competent Person, a member of the Australasian Institute of Mining and Metallurgy and an employee of the Company. Mr Shand has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person, as defined in the 2012 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Shand consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Confidence category	Nd_2O_3 cut-off grade %	Tonnage %	REO %	LREO %	HREO %	Nd_2O_3 %	PR_6O_{11} %
Measured	0.1	2.914	1.468	1.326	0.142	0.288	0.077
Indicated	0.1	14.662	1.508	1.372	0.137	0.295	0.080
Inferred	0.1	77.159	1.456	1.323	0.133	0.291	0.077
Total	**0.1**	**94.735**	**1.464**	**1.330**	**0.134**	**0.291**	**0.078**

Table 4 – Nechalacho Rare Earths Project, Canada Mineral Resource Estimates for the Tardiff Upper Zone – refer ASX release 13 December 2019

Confidence Category	Kilo Tonnes	LREO (%)	LREO Tonnes
Measured	68	9.60	6,528
Indicated	33	7.80	2,574
Total	**101**	**9.01**	**9,102**

Table 5 – Nechalacho Rare Earths Project, Canada Mineral Resource Estimates for the North T Deposit – refer ASX release 15 April 2020

Wigu Hill Project – Foreign Estimate

The Company has reported a high-grade NI43-101 resource of 3.3Mt at 2.6% REO in respect of its Wigu Hill Project, Tanzania (refer ASX announcement 25 June 2019) as follows:

Zone	Tonnes (m)	$LREO_5$ (%)	La_2O_3 (%)	CeO_2 (%)	Pr_6O_{11} (%)	Nd_2O_3 (%)	Sm_2O_3 (%)
Twiga – NE	1.6	2.6	0.98	1.26	0.1	0.23	0.01
Twiga – SW	0.5	3.6	1.33	1.71	0.13	0.3	0.02
Tembo – NW	0.9	2.2	0.78	1.09	0.09	0.23	0.02
Tembo - SE	0.2	2.2	0.69	1.1	0.1	0.27	0.01
Total Inferred Resource	**3.3**	**2.6**	**0.96**	**1.27**	**0.1**	**0.24**	**0.02**

Table 6 – Wigu Hill Project, Tanzania Foreign Estimate (Cut-off of 1% $LREO_5$) – refer ASX release 15 June 2019

Investors should note that the Mineral Resource estimate for the Wigu Hill Rare Earth Project is a foreign estimate and is not reported in accordance with the JORC Code.

A competent person has not done sufficient work to classify this foreign estimate as a mineral resource in accordance with the JORC Code and it is uncertain that following further exploration or evaluation work that the foreign estimate will be able to be reported as a mineral resource in accordance with the JORC Code.

The Company has previously disclosed the foreign estimate in compliance with ASX Listing Rule 5.12 in the announcement dated 25 June 2019 titled, “Vital to Transform into Rare Earth Oxide Developer” (“Announcement”).

The Company is not in possession of any new information or data relating to the foreign estimate that materially impacts on the reliability of the estimate or the Company’s ability to verify the foreign estimate in accordance with Appendix 5A (JORC Code). The Company confirms that the supporting information provided in the Announcement continues to apply and has not materially changed.

The Company has not progressed evaluation of the previously reported foreign estimate. The Company will perform a revision of the historical drilling information, to further ensure the integrity of the data, followed by another estimation of the resource, with updated classification based on the level of information available. In addition, Vital intends to conduct further drilling, bulk sampling, geotechnical and hydrological testing.

Tenement Schedule

The Group's tenement schedule is as follows:

Location	Tenement	Beneficial Interest
Canada	Nechalacho*	100%
Burkina Faso	Nahouri	100%
	Kampala	100%
	Zeko	100%
Germany	Aue	100%
Tanzania	Wigu Hill**	90%

* Vital owns 100% of the mineral rights of the Nechalacho Project above the 150 m elevation level

** Vital has signed a project development and option agreement to acquire Wigu Hill. The Company has the right to acquire the licence upon the issuance of the licence by the Tanzanian Government

Compliance Statements

This Annual Report contains information relating to Exploration Results extracted from ASX market announcements reported previously and published on the ASX platform on 26 May 2021, 23 June 2021 and 3 August 2021. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement.

This Annual Report contains information relating to Mineral Resource Estimates in respect of the Nechalacho Project extracted from ASX market announcements reported previously and published on the ASX platform on 13 December 2019 and 15 April 2020. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed.

Directors' Report

The Board of Directors present 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 2021.

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

Mr Evan Cranston
(appointed Chairman 4 August 2020)
Non-Executive Chairman

Mr Cranston is an experienced mining executive with a background in corporate and mining law. He is the principal of corporate advisory and administration firm, Konkera Corporate and has extensive experience in the areas of equity capital markets, corporate finance, structuring, asset acquisition, corporate governance and external stakeholder relations. He holds both a Bachelor of Commerce and Bachelor of Laws from the University of Western Australia. Mr Cranston is a former Non-Executive Director of New Century Resources Limited (ASX: NCZ) and Boss Resources Limited (ASX: BOE). He is currently Executive Chairman of African Gold Ltd (ASX: A1G), Non-Executive Director of Carbine Resources Limited (ASX: CRB), Non-Executive Chairman of Firebird Metals Limited (ASX: FRB) and Chairman and Director of TSX-listed Benz Mining Corp (TSX-V: BZ)

Mr Geoff Atkins
Managing Director

Mr Atkins is a Civil Engineer with over 20 years of project and corporate development experience across commercial, industrial, mining and infrastructure sectors with responsibility for driving projects from concept, through feasibility and development to operational assets.

Mr Atkins is not a director of any other ASX-listed Company.

Mr James Henderson (appointed 4 August 2020)
Non-Executive Director

Mr Henderson is currently Executive Chairman of Transocean Group Pty Ltd, a corporate advisory and private equity group focused on the emerging company market. His expertise is in the area of corporate strategy and structuring, capital raising and commercial negotiation.

Mr Henderson has led teams on a variety of transactions including mergers, acquisitions, dispositions, takeovers, and capital raisings particularly in Australia, Canada, the USA and Africa and was a founding shareholder in Cheetah Resources Pty Ltd.

Mr Henderson is also a Non-Executive Director of Compass Gold Corporation (TSX-V: CVB).

Mr Francis Harper (resigned 4 August 2020)
Non-Executive Chairman

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 (ASX: TIE) and Chairman of Predictive Discovery Ltd (ASX: PDI).

Mr Phillip Coulson (resigned 20 December 2020)
Non-Executive Director

Mr Coulson has over 18 years of corporate advisory experience, having held senior advisory positions at Mantagu Stockbrokers and Patersons Securities Limited. He has promoted and advised numerous companies in the identification and acquisition of technology and resource projects.

Mr Coulson is not a director of any other ASX-listed Company.

Mr Zane Lewis (resigned 4 August 2020)
Executive Director

Mr Lewis has over 20 years' experience and leadership of smallcap multinational companies. His hands-on skillset includes corporate advisory, non-executive director and Company Secretary roles at several ASX-listed and unlisted companies as well as, extensive international experience managing a group of Software and Tech companies in USA, Europe, Hong Kong, China and Australia.

Mr Lewis is a director of Lion Energy Limited (ASX: LIO), Kingsland Global Ltd (ASX: KLO) and Fargo Enterprises Ltd (ASX: FGO).

He was previously a director of Tap Oil Limited (ASX: TAP), Flamingo AI Limited (ASX: FGO) and Fraser Range Metals Limited (ASX: FRN).

Company Secretary

Ms Louisa Martino (appointed 1 July 2020)
Company Secretary

Ms Martino has a Bachelor of Commerce from the University of Western Australia, is a member of the Institute of Chartered Accountants Australia & New Zealand (ICAA), a member of the Financial Services Institute of Australasia (FINSIA) and a fellow of the Governance Institute of Australia (FGIA). She provides a number of listed companies with company secretarial services and has worked within corporate finance, assisting with company compliance and capital raisings. Ms Martino holds the position of Company Secretary for listed companies, PYX Resources Ltd (NSX: PYX), Cokal Ltd (ASX: CKA), Jadar Resources Ltd (ASX: JDR), and Oklo Resources Ltd (ASX: OKU).

Principal Activities

The principal activities of the Group during the year were mineral exploration and development in Burkina Faso, Tanzania, Germany and Canada.

Corporate

Board and Management Changes

In August 2020, Vital announced changes to its Board, as the Company progressed to rare earth oxide production, with the appointment of Mr James Henderson as a Non-Executive Director. Mr Henderson is the founder and Chairman of Transocean Group, which was established in 1987. He has more than 35 years' experience in providing financial advisory services in Australia and overseas, across a wide range of industries including medical devices, aged care, clean energy and natural resources.

Upon the appointment of Mr Henderson, Mr Francis Harper and Mr Zane Lewis retired as Directors of the Company and Vital appointed Mr Evan Cranston as Non-Executive Chairman, replacing Mr Harper.

In December, Mr Phillip Coulson resigned as a Director of the Company to focus on other business interests.

Mr Sebastian Andre resigned as Company Secretary, effective 30 June 2020. Vital appointed Ms Louisa Martino as Company Secretary and Chief Financial Officer, effective 1 July 2020.

Capital Raisings

In September 2020, Vital announced it had received firm commitments to raise A$8.0 million (before costs) in new equity via a fully committed share placement of 400 million shares at $0.02/share to institutional, sophisticated and professional investors ("Placement").

Vital used net proceeds from the Placement to progress the Company towards commencing processing operations in Q2 CY2021 including the purchase of the ore sorter, sampling and met testwork, extraction plant EPCM and for general working capital.

Strong demand for the Placement resulted in additional funds being raised, which will be used to accelerate further exploration work at the Tardiff zone within the Company's Nechalacho Project.

In March 2021, Vital completed a A$43 million share placement to institutional, sophisticated and professional investors to fund construction, mining and operations for production at Nechalacho, allowing production to commence on schedule in Q2 CY21.

The Placement was undertaken at A$0.065 per share with approximately 661.5 million new fully paid ordinary shares issued ("Placement"). Vital received strong support in the Placement, adding new institutional investors to its register while several existing investors increased their holdings.

COVID-19

As with other companies, COVID-19 has caused some disruption to the Company's activities, however development activities continued with the Company remaining focused on bringing the Nechalacho Rare Earth Project into operation in the shortest possible timeframe. The Company has a focus on the welfare of its employees and has implemented measures to ensure their well-being including, health screening and temperature monitoring, change in rosters, spatial distancing protocols as well as, a change in flow of staff to and from local communities.

As at 30 June 2021, the Company, its staff and contractors based in Canada have been minimally impacted by the COVID-19 pandemic and continue to operate its programs as planned.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

Financial Position

The Group’s net assets at 30 June 2021 were $62,984,038 (30 June 2020: $15,743,525).

The Directors consider that the Group is in a strong and stable financial position to continue and grow its existing activities.

Financial Results

The Group recorded an operating loss for the year of $4,745,906 (2020: loss of $4,578,593). The 2021 result is consistent with the nature and operations of the Group.

Significant Changes In State Of Affairs

Other than as disclosed in these Financial Statements, no significant changes in the state of affairs of the Group occurred during the financial year.

Events Subsequent To Reporting Date

Kipawa and Zeus Heavy rare earth projects

Subsequent to year-end in August 2021, Vital announced it had signed a binding term sheet with Quebec Precious Metals Corporation (TSX-V: QPM) for Vital to acquire QPM's 68% interest in the Kipawa exploration project and 100% interest in the Zeus exploration project, both located in Quebec, Canada for C$8 million payable over four years. Joint Venture partner Investissement Québec ("IQ") holds the remaining 32% of the Kipawa project on a contributing basis.

Kipawa is a heavy rare earths project, located 50km from Temiscaming, with a Mineral Resource Estimate of 15.5Mt of eudialyte at 0.434% TREO and 0.873 ZrO_2, 6.3Mt of mosandrite at 0.391% TREO, 1.018% ZrO_2, 5.1Mt of britholite at 0.286% TREO, 0.944% ZrO_2, and with a Proven and Probable Reserve Estimate of 19.8Mt at 0.411% TREO.

Investors should note that the terms, "Mineral Resource", "Mineral Reserve" and "Proven and Probable Reserve" are as defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM council. These estimates are foreign estimates and are not reported in accordance with the Joint Ore Reserves Committee's Australasian Code for Reporting of Mineral Resources and Ore Reserves (the "JORC Code"). A competent person has not done sufficient work to classify these estimates as a mineral resource or ore reserve in accordance with the JORC Code and it is uncertain that following further exploration or evaluation work that the foreign estimates will be able to be reported as a mineral resource or ore reserve in accordance with the JORC Code.

The Projects total 73 claims over 43km^2 and lie in the Grenville geological province, approximately 55km south of the geological contact with the Superior geological province. The lithologies consist mainly of gneiss with a grade of metamorphism ranging from the greenschist facies to the amphibolite-granulite facies.

The Kipawa deposit is defined by three enriched horizons within the "Syenite Complex", which contains some light rare earth oxides but primarily heavy rare earth oxides. Since 2011, there have been a total of 293 drill holes (24,571m) that were used to prepare a feasibility study, which was completed by Matamec Explorations Inc. in 2013.

Twelve heavy rare earth showings have been identified on the Zeus project, some of which contain niobium and tantalum.

Zone	Classification	Tones	TREO (%)	ZrO_2
Eudualite	Measured	6,024,000	0.529	0.959
	Indicated	7,790,000	0.387	0.842
	Inferred	1,678,000	0.312	0.710
	Total	**15,492,000**	**0.434**	**0.873**
Mosandrite	Measured	3,135,000	0.396	1.019
	Indicated	2,790,000	0.379	1.029
	Inferred	409,000	0.431	0.940
	Total	**6,334,000**	**0.391**	**1.018**
Britholite	Measured	1,278,000	0.309	0.940
	Indicated	2,725,000	0.284	0.957
	Inferred	1,088,000	0.264	0.915
	Total	**5,091,000**	**0.286**	**0.944**

Table 7 - Kipawa Project Mineral Resources

Classification	Tones	TREO (%)
Proven	10,218,867	0.440
Probable	9,550,047	0.379
Total	**19,768,914**	**0.411**

Table 8 - Kipawa Project Mineral Reserve

Investors should note that the Mineral Resource and Reserve estimate for the Kipawa Project are foreign estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify this foreign estimate as a mineral resource and reserve in accordance with the JORC Code and it is uncertain that following further exploration or evaluation work that the foreign estimate will be able to be reported as a mineral resource and reserve in accordance with the JORC Code. The Company has previously disclosed the foreign estimates in compliance with ASX Listing Rule 5.12 in the announcement dated 11 August 2021 titled, “Vital Metals Enters Agreement to Acquire Heavy Rare Earth Projects” (“Announcement”). The Company is not in possession of any new information or data relating to the foreign estimates that materially impacts on the reliability of the estimates or the Company’s ability to verify the foreign estimates in accordance with Appendix 5A (JORC Code). The Company confirms that the supporting information provided in the Announcement continues to apply and has not materially changed.

Engagement of Tectonic

Vital entered into an agreement for the provision of capital markets consulting and advisory services with Ecoban Securities Corporation ("Tectonic"). Tectonic shall serve as the Company's North American investor relations and capital markets consultant and advisor. Tectonic played a key role in the introduction of strategic investors to Vital as part of the $43 million capital raise and with the strategic importance of North American rare earth production, the introduction of dedicated US market support will be of increasing importance to the future growth of Vital Metals.

Funding agreement with Canadian Northern Economic Development Agency

In accordance with Item 6 of the Funding Agreement, the Group is currently completing documentation and it is expected that funds will be received in November 2021.

Dividends

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

Likely Developments and Expected Results of Operations

The Group will be entering into mining activities from July 2021 in the North T zone and intends to continue its exploration and development activities in Tardiff Zones 2 and 3 in Canada and other projects, whilst assessing opportunities to acquire further suitable projects for exploration as they arise.

The impact of COVID-19 on the Company going forward, including its financial condition cannot be reasonably estimated at this stage and will be reflected in the Group's 2022 interim and annual financial statements.

Environmental Regulation

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

Insurance of Directors and Officers

The Company has entered into an agreement to indemnify all directors and officers 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, Company Secretary and Officers of the Company. The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of the premium.

Legal Proceedings

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

Proceedings on Behalf of the Group

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

During the year, BDO provided consulting services in relation to Benchmark and Executive Remuneration. Since year-end, BDO IFRS Advisory have provided services in respect of identifying leases in the Company's Nechalacho mining services contract. The Group has not provided any indemnity to the Auditors.

Directors' Interests in Securities of the Group

As at the date of this report, the interests of the Directors in the shares, options and other performance securities of Vital Metals Limited were:

Director	Ordinary Shares	Options
Evan Cranston	16,528,998	180,000,000
Geoff Atkins	93,449,547	90,000,000
James Henderson	208,296,342	60,000,000

Shares Under Option

At the date of this report, the Group had on issue 4,154,233,084 ordinary shares and 431,833,334 options over ordinary shares.

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Exercise Price	Number Under Option
3 Sept 2018	19 July 2022	$0.015	11,333,334
22 October 2019	22 October 2024	$0.02	110,000,000
22 October 2019	22 October 2024	$0.025	110,000,000
22 October 2019	22 October 2024	$0.03	110,000,000
24 December 2020	24 December 2023	$0.03	5,000,000
24 December 2020	31 January 2025	$0.02	6,000,000
24 December 2020	31 January 2025	$0.025	6,000,000
24 December 2020	31 January 2025	$0.03	6,000,000
31 January 2020	31 January 2025	$0.02	22,500,000
31 January 2020	31 January 2025	$0.025	22,500,000
31 January 2020	31 January 2025	$0.03	22,500,000
		Total	**431,833,334**

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.

Performance Shares

In 2019, Vital Metals issued 800 million Performance Shares in accordance with the terms of Vital's acquisition of Cheetah Resources Pty Ltd (Cheetah Resources) (ASX announcement dated 25 June 2019). The purpose of the Performance Shares, which were issued to the original Cheetah Resources' shareholders, was to link part of the consideration for the acquisition of Cheetah Resources to certain key performance criteria.

Commencement of commercial mining operations at the Nechalacho[8] or Wigu Hill projects is a key performance criterion for the conversion of all Performance Shares into fully paid ordinary shares in the capital of the Company (Shares). Consequently, all Performance Shares converted to shares on a 1:1 basis on commencement of mining operations.

Vital Metals' Directors and key shareholders holding ~70% of the Performance Shares have agreed to be voluntarily escrowed until 29 September 2021.

Directors' Meetings

The table below sets out the number of Directors' meetings held during the period and the number of meetings attended by each as a Director.

Director	Number of Meetings held while in office	Meetings attended
Evan Cranston	7	7
Geoff Atkins	7	7
James Henderson	6	6
Phillip Coulson	4	4
Francis Harper	1	1
Zane Lewis	1	1

Corporate Governance Statement

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/

8 Previously referred to as "Thor Lake Project"

Audited Remuneration Report

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 2021 were:

Name	Position for the year ended 30 June 2021
Evan Cranston	Non-Executive Chairman
Francis Harper (resigned 4 August 2020)	Non-Executive Chairman
Geoff Atkins	Managing Director
James Henderson (appointed 4 August 2020)	Non-Executive Director
Philip Coulson (resigned 20 December 2020)	Non-Executive Director
Zane Lewis (resigned 4 August 2020)	Executive Director
Anthony Hadley	Chief Operating Officer

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.

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.

Share–based compensation

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 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.

Employment Contracts of Directors and Executives

As at 30 June 2021, all Directors and all executives, have formal contracts with the Company.

The terms during the past year and as at the date of this report are set out as follows:

Name	Position	Annual Remuneration FY 2021 $
Evan Cranston	Non-Executive Chairman	60,000
Francis Harper (resigned 4 August 2020)	Non-Executive Chairman	3,333
Geoff Atkins	Managing Director	270,000
James Henderson (appointed 4 August 2020)	Non-Executive Director	1,774,658[1]
Philip Coulson (resigned 20 December 2020)	Non-Executive Director	18,817
Zane Lewis (resigned 4 August 2020)	Executive Director	6,667
Anthony Hadley	Chief Operating Officer	496,114[2]

1 Includes expense for options issued on appointment

2 Includes expense for options issued under Employee Incentive Plan

Geoff Atkins

The Managing Director, Geoff Atkins is under a consulting agreement that commenced on 1 October 2019. The terms of the contract include:

- Annual consulting fee of $270,000; and
- An incentive component comprising 90,000,000 options in 3 equal tranches to purchase fully paid ordinary shares in the Company with the following key terms:
    - Options were approved by shareholders at General Meeting held 16 October 2019;
    - Exercise Prices Tranche 1-$0.02, Tranche 2-$0.025, Tranche 3-$0.03
    - Expiry date of 5 years from date of issue

The duration of the consultancy agreement is for a minimum of 3 years. Mr Atkins may resign from his position and thus terminate the consultancy by giving 3 months' written notice. The Company may terminate the consultancy agreement by providing 3 months' written notice or providing payment in lieu of the notice period (based on the consulting fee).

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Managing Director is only entitled to that portion of remuneration (consultancy fee) and only up to the date of termination.

Anthony Hadley

The Chief Operating Officer, Tony Hadley is an employee of the Company under an executive agreement signed on 7 February 2020. Under the terms of the contract:

- A salary package of $280,000 per annum plus statutory superannuation; and
- An incentive component comprising 3 tranches of 6,000,000 options each to purchase fully paid ordinary shares in the company with the following key terms:
    - Exercise Price of Tranche 1-$0.02, Tranche 2-$0.025, Tranche 3-$0.03
    - Expiry date of 31 January 2025
    - Options to vest as follows:
        - Tranche 1 -6,000,000 options vest 1 year from date of issue
        - Tranche 2 -6,000,000 options vest 2 years from date of issue
        - Tranche 3 -6,000,000 options vest 3 years from date of issue.

The duration of the consultancy agreement will continue until the agreement is validly terminated in accordance with its terms. Mr Hadley may resign from his position and thus terminate the agreement by giving 3 months' written notice.

The Company may terminate the agreement by providing 3 months' written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Hadley's remuneration including any accrued statutory leave liabilities).

Non-Executive directors

Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2007 AGM, is not to exceed $400,000 per annum.

The 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.

Historical Information

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

	2021 ($)	2020 ($)	2019 ($)	2018 ($)	2017 ($)
Net profit/(loss)	**(4,745,906)**	(4,578,593)	3,225,692	(3,253,430)	(4,961,426)
Share price at year end (cents)	**4.8**	1.0	1.2	1.0	1.1
Earnings/(loss) per share (cents)	**(0.16)**	(0.23)	0.18	(0.21)	(0.82)

Details of remuneration

The Key Management Personnel of the Group are the Directors and Chief Operating Officer. 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*.

Remuneration of Key Management Personnel

Details of the remuneration provided to the Key Management Personnel of the Group are set out in the following table:

	Short term Salary and Fees $	Short Term Bonus[1] $	Post-employment Superannuation $	Termination $	Share-Based Payments Options[2] $	Total $	Performance related %
Directors of Vital Metals Limited							
Evan Cranston (Non-Executive Chairman) (appointed 22 October 2019)							
2021	**60,000**	**–**	**–**	**–**	**–**	**60,000**	**–**
2020	41,613	–	–	–	1,522,611	1,564,224	–
Geoff Atkins (Managing Director) (appointed 22 October 2019)							
2021	**270,000**	**–**	**–**	**–**	**–**	**270,000**	**–**
2020	202,500	100,000	–	–	761,306	1,063,806	–
James Henderson (Non-Executive Director) (appointed 4 August 2020)							
2021	**36,667**	**–**	**–**	**–**	**1,737,991**	**1,774,658**	**–**
2020	–	–	–	–	–	–	–
Phillip Coulson (Non-Executive Director) (resigned 20 December 2020)							
2021	**18,817**	**–**	**–**	**–**	**–**	**18,817**	**–**
2020	90,000	–	–	–	–	90,000	–
Zane Lewis (Executive Director) (resigned 4 August 2020)							
2021	**6,667**	**–**	**–**	**–**	**–**	**6,667**	**–**
2020	120,000	–	–	–	–	120,000	–

1. Mr Geoff Atkins was paid a bonus of $100,000 following the successful completion of the acquisition of Cheetah Resources Pty Ltd by the company.

2. 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 fair value of the options recognised in this reporting period. The options of the Directors of Vital Metals Limited vested fully in the reporting period they were issued, those of Key Management Personnel vest over three years.

	Short term Salary and Fees $	Short Term Bonus[1] $	Post-employment Superannuation $	Termination $	Share-Based Payments Options[2] $	Total $	Performance related %
Mark Strizek (Managing Director) (resigned 24 January 2019)							
2021	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2020	25,000	–	–	–	–	25,000	–
Peter Cordin (Non-Executive Director) (resigned 25 September 2019)							
2021	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2020	12,177	–	1,157	–	–	13,333	–
Francis Harper (Non- Executive Director) (resigned 4 August 2020)							
2021	**3,333**	**–**	**–**	**–**	**–**	**3,333**	**–**
2020	40,000	–	–	–	–	40,000	–
Other Key Management Personnel							
Anthony Hadley (COO)							
2021	**280,000**	**–**	**26,600**	**–**	**–**	**496,114**	**–**
2020	93,333	–	8,867	–	–	102,200	–
Total Key Management Personnel compensation							
2021	**675,484**	**–**	**26,600**	**–**	**1,927,505**	**2,629,589**	**–**
2020	624,622	100,000	10,023	–	2,283,917	3,018,563	–

There were no options or performance rights granted to Key Management Personnel as compensation during the reporting period, other than those set out below.

Options and Performance Rights granted as compensation

Options and performance rights are issued at no cost to Directors and Executives as part of their remuneration. The options and performance rights are not issued based on performance criteria, but are issued to increase goal congruence between Executives, Directors and Shareholders.

There were no performance rights issued during the year. Options issued to Key Management Personnel during the year were as follows:

	Grant Date	Exercise Price	Number Granted	Number Vested	Expiry Date	Volatility	Fair Value per security at grant date (cents)	Exercised Number
Options								
2021 Financial Year								
James Henderson	24/12/2020	$0.02	20,000,000	20,000,000	22/10/2024	100%	2.98	–
James Henderson	24/12/2020	$0.025	20,000,000	20,000,000	22/10/2024	100%	2.89	–
James Henderson	24/12/2020	$0.03	20,000,000	20,000,000	22/10/2024	100%	2.82	–
Anthony Hadley	24/12/2020	$0.02	6,000,000	–	31/01/2025	100%	2.97	–
Anthony Hadley	24/12/2020	$0.025	6,000,000	–	31/01/2025	100%	2.89	–
Anthony Hadley	24/12/2020	$0.03	6,000,000	–	31/01/2025	100%	2.82	–
2020 Financial Year								
Geoff Atkins	22/10/2019	$0.02	30,000,000	30,000,000	22/10/2024	100%	0.89	–
Geoff Atkins	22/10/2019	$0.025	30,000,000	30,000,000	22/10/2024	100%	0.85	–
Geoff Atkins	22/10/2019	$0.03	30,000,000	30,000,000	22/10/2024	100%	0.81	–
Evan Cranston	22/10/2019	$0.02	60,000,000	60,000,000	22/10/2024	100%	0.89	–
Evan Cranston	22/10/2019	$0.025	60,000,000	60,000,000	22/10/2024	100%	0.85	–
Evan Cranston	22/10/2019	$0.03	60,000,000	60,000,000	22/10/2024	100%	0.81	–

Exercise of options and performance rights granted as compensation

During the reporting period, there were 28,750,000 shares issued on the exercise of options and performance rights previously granted as compensation, and there were no modifications to the terms of previously granted options.

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 Limited and other Key Management Personnel of the Group, including their personally-related parties, are set out below.

2021	Balance at start of the year	Received during the year on the exercise of options	Received on exercise of options / rights	Other changes during the year	Balance at end of the year
Directors of Vital Metals Limited					
Ordinary shares					
Evan Cranston	16,528,998	–	–	–	16,528,998
Geoff Atkins	31,149,849	–	–	62,299,698	93,449,547[4]
James Henderson	79,432,114[6]	–	–	128,864,228	208,296,342[5]
Francis Harper	18,234,725	–	–	–	18,234,725[1]
Phillip Coulson	167,100,000	–	28,750,000	–	195,850,000[1]
Zane Lewis	8,000,000	–	–	–	8,000,000[1]
Performance Shares – Tranche 1[2]					
Geoff Atkins	31,149,849	–	–	(31,149,849)	–
James Henderson	79,432,114	–	–	(79,432,114)	–
Performance Shares – Tranche 2[3]					
Geoff Atkins	31,149,849	–	–	(31,149,849)	–
James Henderson	79,432,114	–	–	(79,432,114)	–
Other Key Management Personnel					
Anthony Hadley	–	–	–	–	–

Notes

1. Balance at resignation
2. Tranche 1 Performance Shares each converted to one share in the Company (refer Note 3 below)
3. The Tranche 2 Performance Shares each converted to one share in the Company upon commencement of mining operations at the Nechalacho Project or Wigu Hill Project within 3 years of the issue of the Tranche 1 Performance Shares. Where the Tranche 2 Milestone is satisfied, the Tranche 1 Milestone is automatically deemed to have been satisfied.
4. 62,299,698 shares are held in escrow until 29 September 2021
5. 158,864,228 shares are held in escrow until 29 September 2021
6. Balance at appointment

Option and Performance Rights holding

The numbers of performance rights and options over ordinary shares in the Company held during the financial year by each Director of Vital Metals Limited and other Key Management Personnel of the Group, including their personally-related parties, are set out below:

2021	Balance at start of the year	Granted as compensation	Exercised	Expiry	Balance at end of the year	Vested and exercisable
Directors of Vital Metals Limited						
Options						
Evan Cranston	180,000,000	–	–	–	180,000,000	180,000,000
Geoff Atkins	90,000,000	–	–	–	90,000,000	90,000,000
James Henderson	–	60,000,000	–	–	60,000,000	60,000,000
Francis Harper	28,750,000	–	–	–	28,750,000[1]	28,750,000
Performance Shares						
Phillip Coulson	28,750,000	–	(28,750,000)	–	–[1]	–
Zane Lewis	28,750,000	–	–	–	28,750,000[2]	–
Other Key Management Personnel						
Options						
Anthony Hadley	–	18,000,000	–	–	18,000,000	–

Notes

1. Balance at resignation
2. Balance at resignation. Post resignation, these performance rights vested and have converted to ordinary shares.

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year (2020: nil).

Other transactions with Key Management Personnel

Mr James Henderson was appointed a Director on 4 August 2020. Mr Henderson is also a Director of Transocean Securities Pty Ltd and Transocean Administration Services Pty Ltd, of which a total of $20,071 was paid in relation to rent and reimbursement of business expenses incurred during the year.

There were no other transactions with Key Management Personnel during the year other than salaries and wages, as disclosed in the remuneration report.

Engagement of remuneration consultants

The Group did not employ the services of any remuneration consultants in respect of remuneration for the financial year ended 30 June 2021. During the financial year, the Company engaged BDO Reward (WA) Pty Ltd to review the Key Management Personnel remuneration for the year ended 30 June 2022 for a fee of $20,250.

Securities Trading Policy

The Company's Securities Trading Policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options. The Company's Securities Trading Policy defines dealing in company securities to include:

a. Subscribing for, purchasing or selling Company Securities or entering into an agreement to do any of those things;

b. Advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family company or family trust) to trade in Company Securities; and

c. Entering into agreements or transactions which operate to limit the economic risk of a person's holdings in Company Securities.

The Securities Trading Policy details acceptable and unacceptable times for trading in Company Securities including, detailing potential civil and criminal penalties for misuse of "inside information". The Directors must not deal in Company Securities without providing written notification to the Chairman. The Chairman must not deal in Company Securities without the prior approval of the Chief Executive Officer. The Directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares.

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, 91.17% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

End of Audited Remuneration Report.

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 48.

This report has been made in accordance with a resolution of the Board of Directors pursuant to s.298 (2) of the *Corporations Act 2001.*

Signed in accordance with a resolution of the directors

Evan Cranston
Chairman
Sydney: 30 September 2021

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Declaration of Independence by Neil Smith to the Directors of Vital Metals Limited

As lead auditor of Vital Metals Limited for the year ended 30 June 2021, 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.

Neil Smith
Director

BDO Audit (WA) Pty Ltd
Perth, 30 September 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2021

Continuing Operations	Note	2021 $	2020 $
Sundry income	1.1	309,309	41,413
		309,309	**41,413**
Other income and expense		(10,752)	–
Exploration and evaluation expenditure		(134,161)	(172,658)
Administration expenses		(2,439,911)	(1,908,899)
Depreciation		(206,259)	(75,895)
Share based payments expense	8.1	(2,267,157)	(2,502,918)
Total expenses		**(5,058,240)**	**(4,660,370)**
Loss from continuing operations		**(4,748,931)**	**(4,618,957)**
Finance income		8,886	44,736
Finance costs		(5,861)	(4,371)
Net finance income		3,025	40,364
Loss before income tax		**(4,745,906)**	**(4,578,593)**
Income tax expense	1.2	–	–
Loss after income tax		**(4,745,906)**	**(4,578,593)**
Loss from discontinued operations net of tax		**–**	**–**
Net loss for the year		**(4,745,906)**	**(4,578,593)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss: Foreign currency translation differences for foreign operations		99,329	301,869
Other comprehensive income for the year, net of income tax		**99,329**	**301,869**
Total comprehensive loss for the year		**(4,646,577)**	**(4,276,724)**

Loss attributable to	Note	2021 $	2020 $
Owners of the Company		(4,745,906)	(4,578,593)
		(4,745,906)	**(4,578,593)**
Total Comprehensive Loss attributable to: Owners of the Company		(4,646,577)	(4,276,724)
		(4,646,577)	**(4,276,724)**
Loss per share and for loss attributable to the ordinary equity holders of the company:	1.3	(0.16) cents	(0.23) cents
Diluted loss per share for loss attributable to the ordinary equity holders of the company:	1.3	(0.16) cents	(0.23) cents

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

Consolidated Statement of Financial Position as at 30 June 2021

	Note	2021 $	2020 $
Current Assets			
Cash and cash equivalents	2.1	34,906,990	1,756,773
Trade and other receivables	5.1	1,306,814	391,116
Financial assets		–	56,000
Total Current Assets		**36,213,804**	**2,203,889**
Non-Current Assets			
Property, plant and equipment	3.1	3,162,089	1,527,769
Right of use asset		167,829	91,928
Exploration and evaluation expenditure	3.2	13,291,395	12,467,416
Mine under development	3.3	12,938,011	–
Total Non-Current Assets		**29,559,324**	**14,087,113**
Total Assets		**65,773,128**	**16,291,002**
Current Liabilities			
Trade and other payables	2.2	2,280,163	446,947
Financial liabilities		65,991	80,425
Provisions		344,925	6,130
Total Current Liabilities		**2,691,079**	**533,502**
Non-Current Liabilities			
Financial liabilities		98,011	13,975
Total Non-Current Liabilities		**98,011**	**13,975**
Total Liabilities		**2,789,090**	**547,477**
Net Assets		**62,984,038**	**15,743,525**
Equity			
Contributed equity	4.1	107,265,582	57,645,649
Reserves	4.2	7,568,463	5,201,977
Accumulated losses		(51,850,007)	(47,104,101)
Total Equity		**62,984,038**	**15,743,525**

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

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2021

	Contributed Equity $	Share-based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2020	**57,645,649**	**4,890,659**	**311,318**	**(47,104,101)**	**15,743,525**
Loss for year	–	–	–	(4,745,906)	(4,745,906)
Transferred to accumulated losses	–	–	–	–	–
Other comprehensive income	**–**	**–**	**–**	**(4,745,906)**	**(4,745,906)**
Exchange differences on translation of foreign operation	–	–	99,329	–	99,329
Total other comprehensive income	**–**	**–**	**99,329**	**–**	**99,329**
Total comprehensive loss for the year	**–**	**–**	**99,329**	**(4,745,906)**	**(4,646,577)**
Transactions with owners in their capacity of owners					
Contributions of equity, net of transaction costs	49,619,933	–	–	–	49,619,933
Share based payments	–	2,267,157	–	–	2,267,157
Balance at 30 June 2021	**107,265,582**	**7,157,816**	**410,647**	**(51,850,007)**	**62,984,038**

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

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2021

	Contributed Equity $	Share-based Payment Reserve $	Convertible Note Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2019	**52,845,649**	**2,387,741**	**–**	**9,449**	**(42,525,508)**	**12,717,331**
Loss for year	–	–	–	–	(4,578,593)	(4,578,593)
Transferred to accumulated losses	–	–	–	–	–	–
Other comprehensive income	**–**	**–**	**–**	**–**	**(4,578,593)**	**(4,578,593)**
Disposal of reserves from discontinued operations	–	–	–	–	–	–
Exchange differences on translation of foreign operation	–	–	–	301,869		301,869
Total other comprehensive income	**–**	**–**	**–**	**301,869**	**–**	**301,869**
Total comprehensive loss for the year	**–**	**–**	**–**	**301,869**	**(4,578,593)**	**(4,276,724)**
Transactions with owners in their capacity of owners						
Contributions of equity, net of transaction costs	4,800,000	–	–	–	–	4,800,000
Share based payments	–	2,502,918	–	–	–	2,502,918
Balance at 30 June 2020	**57,645,649**	**4,890,659**	**–**	**311,318**	**(47,104,101)**	**15,743,525**

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

Consolidated Statement of Cash Flows for the Year Ended 30 June 2021

	Note	2021 $	2020 $
Cash Flow From Operating Activities			
Payments for exploration and evaluation costs		(134,161)	(172,658)
Payments to suppliers and employees		(2,373,531)	(1,902,708)
Government incentive received		309,309	41,413
Interest received		8,886	44,736
Interest paid		(5,861)	(4,371)
Net cash outflow in operating activities	**2.1**	**(2,195,358)**	**(1,993,588)**
Cash Flow From Investing Activities			
Loan to Cheetah Resources Pty Ltd prior to acquisition		–	(3,953,428)
Payments for exploration expenditure		(6,523,613)	(2,490,098)
Payments for mine under development		(5,632,054)	–
Payments for property, plant and equipment		(1,768,730)	(1,510,976)
Cash acquired on acquisition of Cheetah Resources Pty Ltd		–	93,859
Payments to acquire exploration and evaluation asset		–	(899,483)
Payments for rent bond		(292,005)	(43,700)
Proceeds from sale of shares		45,249	–
Payments for security deposit on permits		–	(95,680)
Net cash outflow in investing activities		**(14,171,153)**	**(8,899,506)**
Cash Flow From Financing Activities			
Proceeds from share issues		51,000,000	–
Options exercised		1,605,000	–
Cost of share capital issued		(2,985,067)	–
Repayment of lease liability		(103,205)	(55,008)
Net cash from/(used in) financing activities		**49,516,728**	**(55,008)**
Net increase/(decrease) in cash held		**33,150,217**	**(10,948,102)**
Cash at beginning of the year		1,756,773	12,708,796
Foreign exchange variances on cash		–	(3,921)
Cash at end of the year	**2.1**	**34,906,990**	**1,756,773**

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

About This Report

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, which is also the parent entity's functional currency. 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 30 September 2021. The Directors have the power to amend and reissue the financial statements.

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

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the financial reporting period beginning 1 July 2020.

(iv) New and amended standards not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The directors have not early adopted any of these new amended standards and interpretations. The directors are in the process of assessing the impact of the applications of the standard and its amendment to the extent relevant to the financial statement of the Group.

(v) Historical cost convention

These financial statements have been prepared under the historical cost convention.

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 2021 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.

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.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss;
- or equity instruments measured at fair value through other comprehensive income.

The Group uses the simplified approach to impairment, as applicable under AASB 9: Financial Instruments:

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of customer base, appropriate groups of historical loss experience, etc).

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

Share based payments

(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 8.1.

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.

Key estimates and judgements

Impact of Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Other key estimates and judgements

Depreciation rates	(Note 3.1)
Deferred exploration and evaluation costs	(Note 3.2)
Production start date	(Note 3.3)
Impairment of assets	(Note 3.3)
Share based payments	(Note 8.1)

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2021

Contents of the Notes to the Consolidated Financial Statements

1. Financial Performance

1.1 Income and Expenses

	2021 $	2020 $
The following significant Income and expense items not separately highlighted in the Statement of Profit or Loss and Other Comprehensive Income are relevant in explaining the financial performance:		
Income		
Government incentives	309,309	41,413
Personnel expenses		
Wages and salaries	980,987	1,096,639
Annual leave	23,589	6,130
Superannuation	31,359	28,466
Total personnel expenses	**1,035,935**	**1,131,235**

1.2 Income Tax

	2021 $	2020 $
(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 before taxation	(4,745,906)	(4,578,593)
Prima facie tax benefit at the Australian tax rate of 30% (2020: 30%)	(1,423,772)	(1,373,578)

	2021 $	2020 $
Add tax effect of		
Non-deductible items	720,395	750,875
Foreign operations not brought to account	141,546	9,187
Less tax effect of:		
Capital raising costs	(46,418)	(41,871)
Non-assessable government payments	(17,576)	–
Tax losses not brought to account	625,825	655,386
Income tax expense	–	–
(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	–	–
Accrued income	–	–
Exploration expenses	–	663,317
Right of use asset	3,937	–
Set-off against tax assets	(3,937)	(663,317)
	–	–
Deferred tax assets		
Tax value of losses carried forward	10,737,632	8,571,535
Set-off of deferred tax liability	(3,937)	(663,317)
Accrued expenses	–	1,839
Asset impairments	2,404,020	–
Employee benefits	7,559	–
Other prepayments/capital expenditure	23,170	59,903
Right of use liability	4,193	–
Non-recognition of deferred tax assets	(13,172,637)	(7,969,960)
	–	–

(c) Tax losses

At 30 June 2021, the Consolidated Entity has $10,737,632 (2020: $8,571,785) 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.

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.

	2021 $	2020 $
Unrecognised deferred tax assets		
Tax losses – revenue (at 30%)	10,737,632	8,571,535

(d) Tax consolidation legislation

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.

(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 26%. Vital Metals Ltd does not satisfy these requirements and is therefore subject to the corporate tax rate of 30%.

Accounting policy

Current tax

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 tax

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 for the year

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.

1.3. Loss Per Share

	2021 $	2020 $
Basic loss per share – cents per share	(0.16)	(0.23)
Diluted loss per share – cents per share	(0.16)	(0.23)
The following reflects the loss and share data used in the calculations of basic loss per share and diluted loss per share:		
Net loss	(4,745,906)	(4,578,593)
Weighted average number of shares outstanding		
Weighted average number of ordinary shares used in calculating basic loss per share:	2,891,485,852	2,019,871,563
Weighted average number of ordinary shares used in calculating diluted loss per share:	2,891,485,852	2,019,871,563

Classification of securities

Diluted loss per share is calculated after classifying all options on issue and all ownership-based remuneration scheme shares remaining uncovered at 30 June 2021 that are dilutive as potential ordinary shares. As at 30 June 2021, the company has on issue a total of 443,083,334 options over unissued capital. Diluted loss per share has been calculated excluding the dilutionary effect of the options as the group made a loss for the year and the impact would be to reduce the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2021

There have been no other changes to securities on issue since 30 June 2021.

Accounting Policy

Earnings per share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense and after preference dividends by the weighted average number of ordinary shares outstanding during the year.

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.

1.4. Segment Information

The consolidated entity has three reportable segments being mineral exploration and prospecting for minerals in Australia, Canada, Burkina Faso and Tanzania.

The following is an analysis of the Group's revenue and results by reportable segment:

	Australia		Canada		Burkina Faso		Tanzania		Consolidated Total	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Segment income	58,587	41,413	250,722	–	–	–	–	–	**309,309**	**41,413**
Interest revenue	8,886	44,736	–	–	–	–	–	–	**8,886**	**44,736**
Total revenue	67,473	86,149	250,722	–	–	–	–	–	**318,194**	**86,149**
Segment loss	(3,819,194)	(3,459,701)	(792,551)	(1,088,269)	–	(30,623)	(134,161)	(169,158)	**(4,745,906)**	**(4,578,593)**
Net loss before tax	(3,819,194)	(3,459,701)	(792,551)	(1,088,269)	–	(30,623)	(134,161)	(169,158)	**(4,745,906)**	**(4,578,593)**
Segment assets	37,633,400	1,704,737	28,104,179	14,550,716	35,549	35,549	–	–	**65,773,128**	**16,291,002**
Segment liabilities	101,977	350,100	2,730,051	240,315	(42,938)	(42,938)	–	–	**2,789,090**	**547,477**

Accounting Policy

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 four reportable segments being activities undertaken in Australia, Burkina Faso, Tanzania and Canada. 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.

2. Working Capital Provisions

2.1. Cash and Cash Equivalents

	2021 $	2020 $
Cash at bank	34,020,139	1,756,773
Cash held as security deposits	886,851	–
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**34,906,990**	**1,756,773**
Reconciliation of Loss after Income Tax to net cash flows from operating activities:		
Loss after income tax	(4,745,906)	(4,578,593)
Non-cash flows from continuing operations		
Depreciation	206,259	75,895
Share based payments	2,267,157	2,502,917
Other Adjustments		
(Profit)/ Loss on sale of non-current assets	10,752	–
Changes in assets and liabilities		
(Increase) / decrease in receivables	153,035	(57,590)
Increase / (decrease) in payables	(110,588)	57,653
Increase / (decrease) in provisions	23,933	6,130
Net cash (used in) operating activities	**(2,195,358)**	**(1,993,588)**

Accounting Policy

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and at call deposits with banks or financial institutions.

Non-Cash Investing and Financing Activities

During the 2020 financial year, the Group acquired Cheetah Resources Pty Ltd by the issue of Ordinary Shares and Performance Shares in the Company. This includes the initial recognition of the Right to Use Asset. Full details of the acquisition of Cheetah Resources Pty Ltd are set out in Note 3.2.

2.2. Trade and Other Payables

	2021 $	2020 $
Current		
Trade creditors and other payables	1,601,178	329,303
Accrued expenses	678,985	117,644
	2,280,163	**446,947**

Carrying value is considered to approximate fair value. Refer to Note 5.1 for the Group's interest rate and liquidity risk.

Accounting Policy

Trade creditors and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

3. Invested Capital

3.1. Property, Plant and Equipment

	2021 $	2020 $
Software		
At cost	115,182	78,482
Accumulated depreciation	(52,321)	(20,929)
	62,861	**57,553**
Plant and equipment		
At cost	2,845,506	32,496
Accumulated Depreciation	(29,972)	(4,814)
	2,815,534	**27,682**
Motor vehicles		
At cost	76,730	37,089
Accumulated depreciation	(21,519)	(2,003)
	55,211	**35,086**
Fixtures and Fittings		
At cost	257,374	–
Accumulated depreciation	(28,891)	–
	228,483	**–**
Capital Works in Progress		
At cost	–	1,407,448
Total property, plant & equipment – written down value	**3,162,089**	**1,527,769**

Capital Works in Progress represents capital items (ultimately plant and equipment) that has been ordered and partly paid for at the Reporting Date, but where the asset has not been received and is still being constructed at the Reporting Date.

The remaining expenditure commitment relating to the Capital Works in Progress is disclosed in Note 7.1.

Movements in carrying amounts

2021	Software $	Plant and Equipment $	Motor Vehicles $	Fixtures and Fittings $	Capital Works in Progress $	Total
Opening net book value	57,553	27,682	35,086	–	1,407,448	1,527,769
Additions	36,700	1,405,562	39,641	257,374	-	1,739,277
Transfers	–	1,407,448	–	–	(1,407,448)	-
Depreciation Expense	(31,392)	(25,158)	(19,516)	(28,891)	–	(104,957)
Balance at 30 June 2021	**62,861**	**2,815,534**	**55,211**	**228,483**	**–**	**3,162,089**
2020						
Opening net book value	–	–	–	–	–	–
Additions	78,482	32,496	37,089	–	1,407,448	1,555,514
Depreciation Expense	(20,929)	(4,814)	(2,003)	–	–	(27,746)
Balance at 30 June 2020	**57,553**	**27,682**	**35,086**	**–**	**1,407,448**	**1,527,769**

Key estimates and judgements (PPE)

The estimations of useful lives, residual values and depreciation methods require management judgements and are regularly reviewed. If they need to be modified, the depreciation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

Accounting Policy

Each class of property, including software, plant and equipment and motor vehicles is carried at cost less, where applicable, any accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Capital Works in Progress are measured at cost until the capital works are completed and underlying equipment is delivered and installed for use. At the Reporting Date, management will consider there is any circumstance that has arisen that would require any adjustment to the carrying value of the capital works in progress.

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.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment. This is done over the useful lives of the asset to the Company commencing from the time the asset is held ready for use.

The depreciation periods used for each class of depreciable assets are:

Class of fixed asset	Depreciation period
Software	2-3 years
Plant and equipment	2-10 years
Motor vehicles	3 years

3.2. Exploration and Evaluation

	2021 $	2020 $
Costs carried forward in respect of areas of interest in the exploration and evaluation phases:		
Opening net book amount	12,467,416	–
Acquisition of Cheetah Resources (refer below)	–	9,573,102
Exploration expenditure	6,875,674	3,066,972
Exploration expenditure – written off	(134,161)	(172,658)
Transferred to mine under development	(5,917,534)	–
Closing net book amount	**13,291,395**	**12,467,416**
The closing balances relate to the following areas of interest		
Nechalacho Project, Canada	13,291,395	12,467,416
	13,291,395	**12,467,416**

Acquisition of Cheetah Resources

On the 16 October 2019, shareholders approved the acquisition of Cheetah Resources Pty Ltd, which holds the Nechalacho Project. Exploration and evaluation expenditure in relation to areas of interest in Canada are capitalised.

The acquisition of Cheetah Resources Pty Ltd occurred on 16 October 2019, which was the day of approval. The acquisition has been treated as an asset acquisition via the issue of equity under AASB 2 Share Based Payments ("AASB 2"). The below outlines the consideration and identifiable assets and liabilities acquired at the date of acquisition:

	$
Consideration:	
400,000,000 Ordinary Shares	4,800,000
Total Consideration	**4,800,000**
Assets and Liabilities acquired	
Cash	93,859
Trade and other receivables	81,529
Financial asset	55,995
Exploration Asset	9,573,102
Property, plant and equipment	6,517
Creditors	(173,913)
Loan	(3,937,606)
Other Liabilities	(899,483)
Closing Balance	**4,800,000**

Included in the consideration paid to the vendors are fully paid ordinary and performance shares issued to an entity related to the Managing Director, Mr. Geoff Atkins:

- 31,149,849 Fully Paid Ordinary Shares
- 31,149,849 Performance Shares (Tranche 1)
- 31,149,849 Performance Shares (Tranche 2)

Key estimates and judgements

Asset acquisition

The Group has determined that the acquisition of Cheetah Resources is deemed to be an asset acquisition not a business combination. In assessing the requirements of AASB 3 Business Combinations, the Group has determined that the assets acquired do not constitute a business. The assets acquired consists of mineral exploration tenements. When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in the purchase transaction and no deferred tax will arise in relation to the acquired asset as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition.

The Group also assessed the probability of the conditions being met for the conversion of the Tranche A and Tranche B Performance shares as 0% at the date of acquisition.

Exploration and evaluation expenditure

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

The Group reviews the carrying value of exploration and evaluation expenditure on a regular basis to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. This assessment requires judgement as to the status of the individual projects and their estimated recoverable amount.

Accounting Policy

Asset acquisition

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset. Assets acquired during the period were evaluation assets.

Deferred exploration and evaluation costs

Exploration and evaluation costs related to areas of interest are carried forward to the extent that:

- The rights to tenure of the areas of interest are current and the Group controls the area of interest in which the expenditure has been incurred, and
- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, or
- Exploration and evaluation activities in the area of interest have not at the 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.

Exploration and evaluation costs include the acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling, trenching and sampling; and associated activities relating to the evaluation of the technical feasibility and commercial viability of extracting the mineral resource. General and administrative costs are included in the measurement of exploration and evaluation costs where they are directly related to operational activities in a particular area of interest.

The above accounting policy requires certain estimates and assumptions on future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available and could have a material impact on the carrying value of deferred exploration and evaluation costs.

Exploration and evaluation assets are assessed and reviewed at each reporting date for impairment, where facts and circumstances suggest that the carrying amount of the assets may exceed its recoverable amount. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount and an impairment loss recognised.

At each reporting date the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. As a result of this review, exploration expenditure of $134,161 (2020: $172,658) on the Wigu Hill Project was written off and has been recognised in the Statement of Profit or Loss as the project does not have the rights to tenure.

3.3. Mine Under Development

Mine under Development	2021 $	2020 $
Balance at the start of the year		
Transferred from deferred exploration and evaluation costs	5,917,534	–
Additions	7,020,477	–
Balance at the end of the year	**12,938,011**	**–**

The Group commenced production with ore crushed at Nechalacho on 1 April 2021. It is expected that full production rates at the North T zone are to be achieved in July 2021.

It is important to note, ore stockpiles are generally physically measured or estimated and valued at the lower of cost and net realisable value however, the Group has determined that there was no material carrying amount in one day of production.

Accounting Policy

Mine under development includes aggregate expenditure in relation to mine construction, mine development, exploration and evaluation expenditure where a development decision has been made and acquired mineral interests.

Expenditure incurred in constructing a mine by, or on behalf of, the Group is accumulated separately for each area of interest in which economically recoverable reserves and resources have been identified. This expenditure includes direct costs of construction, drilling costs and removal of overburden to gain access to the ore, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads.

Mines under development are accumulated separately for each area of interest in which economically recoverable reserves have been identified and a decision to develop has occurred. This expenditure includes all capitalised exploration and evaluation expenditure in respect of the area of interest, direct costs of development, an appropriate allocation of overheads and where applicable borrowing costs capitalised during development. Once mining of the area of interest can commence, the aggregated capitalised costs are classified under non-current assets as mines in production or an appropriate class of property, plant and equipment.

The Group undertakes regular impairment reviews incorporating an assessment of recoverability of cash generating assets. Cash generating assets relate to specific areas of interest in the Group's mine property assets. The recoverable value of specific areas of interest are assessed by value in use calculations determined with reference to the projected net cash flows estimated under the Life of Mine Plan. As at 30 June 2021, the Group determined that there were no impairment indicators.

Significant judgements and estimates

Production start date

The Group assesses the stage of each mine under development to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under development' to 'Mines in production'. Some of the criteria used to identify the production start date include, but are not limited to:

1. Level of capital expenditure incurred compared with the original development cost estimate;
2. Completion of a reasonable period of testing of the mine plant and equipment;
3. Ability to produce metal in saleable form (within specifications);
4. Ability to sustain ongoing production of metal; and
5. Positive cash flow position from operations.

When a mine development project moves into the production phase, the capitalisation of certain mine development costs and pre-production revenues cease and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements or mineable reserve development. It is also at this point that amortisation commences. At 30 June 2021, the North T Zone is not considered to be at this stage and therefore, remains as a development asset with no amortisation charge.

Recoverability of mine under development

The Group undertakes an impairment review to determine whether any indicators of impairment are present. Where indicators of impairment exist, an estimate of the recoverable amount of the Cash Generating Unit (CGU) is made. 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 they are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Prior to transition to mine development, the Group assesses for impairment to confirm recoverability of costs capitalised during the exploration and evaluation phase.

An impairment indicator assessment was undertaken for all operations at reporting date and it was concluded that no indicators were identified, which would give rise to impairment.

Assessments of the recoverable amounts require the use of estimates and assumptions such as reserves, resources, mine lives, discount rates, exchange rates, commodity prices, grade of ore mined, recovery percentage, operating performance, costs and capital estimates.

Significant judgements and estimates

At each reporting date, the Group undertakes an assessment of these assets and considers whether there are any external impairment indicators resulting from changes in metal prices, foreign exchange, forecast operating costs and discounted rate.

4. Capital Structure and Financing Activities

4.1. Contributed Equity

	2021 $	2020 $
(a) Issued and paid up capital		
Fully paid ordinary shares	107,265,582	57,645,649

	2021 Number of shares	2020 Number of shares	2021 $	2020 $
(b) Movements in shares on issue				
Beginning of the year	2,142,611,289	1,742,611,288	57,645,649	52,845,649
Issued during the year				
Issue of shares on capital raisings	1,061,538,462	–	51,000,000	–
Issue of shares on exercise of options	150,083,333	–	1,605,000	–
Issue of shares in conversion of performance shares	800,000,000	–	–	–
Issue of shares on acquisition (i)	–	400,000,000	–	4,800,000
	4,154,233,084	2,142,611,289	110,250,649	57,645,649
Transaction costs on capital raisings	–	–	(2,985,067)	–
End of the year	**4,154,233,084**	**2,142,611,289**	**107,265,582**	**57,645,649**

(i) Issue of shares on 22 October 2019 relating to the acquisition of Cheetah Resources Pty Ltd. Refer Note 3.2. These shares were issued at a price of $0.012 per share.

	Number of options	
	2021 $	2020 $
(c) Movements in options on issue		
Beginning of the financial year	472,166,667	163,598,492
Issued during the year		
• Exercisable at 3 cents and expiring 24 December 2023*	5,000,000	–
• Exercisable at 2 cents and expiring 31 January 2024*	20,000,000	–
• Exercisable at 2.5 cents and expiring 31 January 2024*	20,000,000	–
• Exercisable at 3 cents and expiring 31 January 2024*	20,000,000	–
• Exercisable at 2 cents and expiring 22 October 2024	–	90,000,000
• Exercisable at 2.5 cents and expiring 22 October 2024	–	90,000,000
• Exercisable at 3 cents and expiring 22 October 2024	–	90,000,000
• Exercisable at 2 cents and expiring 31 January 2025*	6,000,000	22,500,000
• Exercisable at 2.5 cents and expiring 31 January 2025*	6,000,000	22,500,000
• Exercisable at 3 cents and expiring 31 January 2025*	6,000,000	22,500,000
Exercised during the year		
• Exercised at 2 cents and expiring 30 April 2021	(50,000,000)	–
• Exercised at 2.3 cents and expiring 30 April 2021	(7,500,000)	–
• Exercised at 1 cent and expiring 17 November 2021	(18,750,000)	–
• Exercised at 1.5 cents and expiring 19 July 2022	(16,333,333)	–
Expired/cancelled during the year		
• Exercisable at 1.2 cents and expiring 24 November 2019	–	(28,931,825)
• Options expired 30 April 2021	(19,500,000)	–
End of the financial year	**443,083,334**	**472,166,667**

* Of the total 83,000,000 options issued during the period, 60,000,000 were issued to Director James Henderson and 18,000,000 were issued to Mr Anthony Hadley.

(d) Terms and condition of contributed equity

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.

(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 assessment of adequate working capital. The working capital as at 30 June 2021 is shown below:

	2021 $	2020 $
Current assets	36,213,804	2,203,889
Current liabilities	(2,376,218)	(533,502)
Working capital	**33,837,586**	**1,670,387**

Accounting Policy

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 acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buyback, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

4.2. Reserves

	2021 $	2020 $
Share based payment reserve		
Opening balance	4,890,659	2,387,741
Movement for the year	2,267,157	2,502,918
Closing balance	7,157,816	4,890,659
Foreign Currency Translation Reserve		
Opening balance	311,318	9,449
Movement for the year	99,329	301,869
Closing balance	410,647	311,318
Total Reserves	**7,568,463**	**5,201,977**

(i) Share based payment reserve

The share-based payments reserve is used to recognise the fair value of options issued. Refer to Note 8.1 for details.

(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 below. The reserve is recognised in profit or loss when the net investment is disposed of.

Accounting Policy

(i) Functional and presentation currency

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

(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 differences 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.

4.3. Dividends

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

5. Risk

5.1. 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) 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.

Financial instruments other than receivables that potentially subject the Group to concentrations of credit risk consist principally of cash deposits. The Group places its cash deposits with high credit quality financial institutions, being in Australia one of the major Australian (big four) banks. Cash holdings in other countries are not significant. The Group's cash deposits are all on call or in term deposits and attract a rate of interest at normal short-term money market rates.

The Group's exposure to credit risk is low and limited to cash and cash equivalents and other receivables. All cash and cash equivalents $34,906,990 as at 30 June 2021 (2020: $1,756,773) are held with financial institutions that have a AAA credit rating (Standard & Poor's).

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

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

	2021 $	2020 $
Trade and other receivables		
Trade Debtors	21,161	17,187
Security and other deposits	201,610	139,380
Other	1,084,043	234,549
	1,306,814	**391,116**
Cash at bank and short-term bank deposits		
AAA rating	**34,906,990**	**1,756,773**

(b) Cash flow interest rate risk

The Group's exposure to the risks of changes in market interest rates, foreign exchange 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 Canadian Dollar in respect of its operations in Canada and CFA Franc in relation to its activities in Burkina Faso. The group maintains minimal working capital in Canada and Burkina Faso and only transfers cash funds as required, as such the Consolidated 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:

			Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate	Variable Interest Rate	Within 1 Year	1-5 Years	Non-Interest Bearing	Consolidated Total
	2021 $	2021 $	2021 $	2021 $	2021 $	2021 $
Financial assets						
Cash at bank	0.25	34,906,990	–	–	–	34,906,990
Trade and other receivables	–	–	–	–	1,306,814	1,306,814
Total financial assets	**–**	**34,906,990**	**–**	**–**	**1,306,814**	**36,213,804**
Financial liabilities						
Trade and other payables	–	–	–	–	2,280,163	2,280,163
Total financial liabilities	**–**	**–**	**–**	**–**	**2,280,163**	**2,280,163**

			Fixed Interest Rate Maturing			
	Weighted Average Effective Interest Rate	Variable Interest Rate	Within 1 Year	1-5 Years	Non-Interest Bearing	Consolidated Total
	2020 $	2020 $	2020 $	2020 $	2020 $	2020 $
Financial assets						
Cash at bank	0.25	1,593,380	–	–	163,393	1,756,773
Trade and other receivables	–	–	–	–	391,116	391,116
Total financial assets	**–**	**1,593,380**	**–**	**–**	**554,509**	**2,147,889**
Financial liabilities						
Trade and other payables	–	–	–	–	446,947	446,947
Total financial liabilities	**–**	**–**	**–**	**–**	**446,947**	**446,947**

At 30 June 2021, 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 $78,365 higher/lower (2020: -/+ 25 basis points, $3,983 higher/lower) as a result of lower/higher interest income from cash and cash equivalents.

Sensitivity Analysis

At the reporting date, the variable interest profile of the Group's interest-bearing financial instruments were:

	2021 $	2020 $
Financial assets	31,346,023	1,593,380
0.25% (2020- 0.25%) increase	78,365	3,983
0.25% (2020- 0.25%) decrease	78,365	3,983

(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 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. All other financial liabilities were fully repaid during the year.

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

Group: at 30 June 2021	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets) / liabilities $
Trade and other payables	2,245,921	15,566	18,676	–	–	2,280,163	2,280,163
Financial liabilities	–	65,992	–	–	–	65,992	65,992

Group: at 30 June 2020	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets) / liabilities $
Trade and other payables	446,947	–	–	–	–	446,947	446,947
Financial liabilities	–	80,425	–	–	–	80,425	80,425

(d) Foreign Exchange Risk

A risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the consolidated entity's functional currency.

The Group operates internationally, with its major assets being held in Burkina Faso, Tanzania and Canada, and is exposed to foreign exchange risk arising from currency exposures to the Euro, FCFA (fixed to the Euro), Tanzanian Shilling and Canadian Dollar. Historically, given the level of expenditure and available funding, the Group considered its exposure to foreign exchange risk was manageable and hedging policies were not adopted. The Company, through the Managing Director and the Financial Officer regularly monitor movements in the foreign currencies that the Company is exposed to. If appropriate, and from time to time, the Company may enter into forward foreign exchange contract to minimise its exposure to foreign exchange risks. The Company also has foreign currency denominated accounts that are utilised to manage this risk. The Company did not enter into any new forward foreign exchange contracts during the year.

The Board considers policies relating to foreign currency exposure from time to time and, based on available funding, proposed exploration programs and foreign currency exposures, may or may not decide to enter in further forward foreign exchange contracts. The Board will continue to review its position in respect of foreign exchange risk management and will adopt suitable policies as required.

The carrying value of foreign currency denominate monetary assets and liabilities as at the reporting date are as follows:

	Assets		Liabilities	
	2021 AUD	2020 AUD	2021 AUD	2020 AUD
CAD	3,371,196	110,459	2,610,815	586,815
Euro/CFA	15,620	15,620	16,593	16,593

Foreign Currency Sensitivity Analysis

The Group is mainly exposed to CAD, CFA and Tanzanian Shilling. The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	CAD Dollars		CFA	
	2021 AUD	2020 AUD	2021 AUD	2020 AUD
Financial Assets				
+10% Appreciation	337,120	11,046	1,562	1,562
-10% Depreciation	(337,120)	(11,046)	(1,562)	(1,562)
Financial Liabilities*				
+10% Appreciation	261,081	58,682	1,659	1,659
-10% Depreciation	(261,081)	(58,682)	(1,659)	(1,659)

* Note – the majority of the balance of financial liabilities relates to capitalised exploration expenditure. Therefore, the variations in the balance as shown in the sensitivity analysis would not impact the profit or loss, but rather the carrying value of the capitalised exploration expenditure.

Forward Foreign Exchange Contracts

As at 30 June 2021 there were no outstanding forward foreign exchange contracts (2020: Nil).

(e) Fair value of financial instruments

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.

6. Group Structure

6.1. Subsidiaries

The consolidated financial statements include the financial statements of the ultimate parent entity Vital Metals Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Interest	
		2021	2020
Cheetah Resources Pty Ltd	Australia	100%	100%
NWT Rare Earths Ltd	Canada	50%	50%
Cheetah Resources Corp.	Canada	100%	100%
Cheetah Resources Saskatchewan Corp.	Canada	100%	100%
Vital Metal Burkina Sarl	Burkina Faso	100%	100%
Kisaki Mining Company Limited	United Republic of Tanzania	90%	90%

7. Unrecognised Items

7.1. Commitments

	2021 $	2020 $
Expenditure Commitments		
(a) Capital expenditure commitments		
• Within one year	951,854	689,939
• Later than one year but not later than five years	–	–
(b) Mineral tenement commitments		
• Within one year	–	–
• Later than one year but not later than five years	–	–
	951,854	689,939

7.2. Contingencies

There are two royalties in place relating to the Nechalacho Project:

1. A 3% net smelter return royalty.

    a) the royalty holder has agreed to waive their right to the royalty for the first five (5) years following commencement of commercial production at the Nechalacho Project; and

    b) the royalty holder has also agreed to grant Cheetah an option to pay C$2,000,000 at any time during the eight (8) year period following the acquisition of the Nechalacho Project to cancel the royalty.

2. The Murphy Royalty which is a 2.5% net smelter return royalty held by a third party. Vital holds an option to purchase the royalty for an inflation adjusted fixed amount estimated to currently be C$1,500,000.

The Group has obtained several licence permits in Canada on the commencement of operations at Nechalacho. In accordance with these permits, the Group must meet all requirements for waste management, spillage contingency, water management etc., with reclamation costs estimated at $839,631 (C$782,368). The Group holds $839,631 as a deposit in favour of the Canadian Department of Lands as a reclamation security in respect of the permits held. Should the Group not meet all permit requirements in relation to rehabilitation, these funds will be accessed directly by the Canadian Department of Lands to meet the Group's obligations.

7.3. Events Occuring After The Reporting Period

Kipawa and Zeus Heavy rare earth projects

Subsequent to year-end in August 2021, Vital announced it had signed a binding term sheet with Quebec Precious Metals Corporation (TSX-V: QPM) for Vital to acquire QPM's 68% interest in the Kipawa exploration project and 100% interest in the Zeus exploration project, both located in Quebec, Canada for C$8 million payable over four years. Joint Venture partner Investissement Québec ("IQ") holds the remaining 32% of the Kipawa project on a contributing basis.

Kipawa is a heavy rare earths project, located 50km from Temiscaming, with a Mineral Resource Estimate of 15.5Mt of eudialyte at 0.434% TREO and 0.873 ZrO_2, 6.3Mt of mosandrite at 0.391% TREO, 1.018% ZrO_2, 5.1Mt of britholite at 0.286% TREO, 0.944% ZrO_2, and with a Proven and Probable Reserve Estimate of 19.8Mt at 0.411% TREO.

Investors should note that the terms, "Mineral Resource", "Mineral Reserve" and "Proven and Probable Reserve" are as defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM council. These estimates are foreign estimates and are not reported in accordance with the Joint Ore Reserves Committee's Australasian Code for Reporting of Mineral Resources and Ore Reserves (the "JORC Code"). A competent person has not done sufficient work to classify these estimates as a mineral resource or ore reserve in accordance with the JORC Code and it is uncertain that following further exploration or evaluation work that the foreign estimates will be able to be reported as a mineral resource or ore reserve in accordance with the JORC Code.

The Projects total 73 claims over 43km2 and lie in the Grenville geological province, approximately 55km south of the geological contact with the Superior geological province. The lithologies consist mainly of gneiss with a grade of metamorphism ranging from the greenschist facies to the amphibolite-granulite facies.

The Kipawa deposit is defined by three enriched horizons within the "Syenite Complex", which contains some light rare earth oxides but primarily heavy rare earth oxides. Since 2011, there have been a total of 293 drill holes (24,571m) that were used to prepare a feasibility study, which was completed by Matamec Explorations Inc. in 2013.

Twelve heavy rare earth showings have been identified on the Zeus project, some of which contain niobium and tantalum.

Engagement of Tectonic

Vital entered into an agreement for the provision of capital markets consulting and advisory services with Ecoban Securities Corporation ("Tectonic"). Tectonic shall serve as the Company's North American investor relations and capital markets consultant and advisor. Tectonic played a key role in the introduction of strategic investors to Vital as part of the $43 million capital raise and with the strategic importance of North American rare earth production, the introduction of dedicated US market support will be of increasing importance to the future growth of Vital Metals.

Funding agreement with Canadian Northern Economic Development Agency

In accordance with Item 6 of the Funding Agreement, the Group is currently completing documentation and it is expected that funds will be received in November 2021.

COVID-19

The Company, its staff and contractors based in Canada have been minimally impacted by the COVID-19 pandemic and continue to operate its programs as planned.

Management is actively monitoring the global situation and its impact on the Group's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Group is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the 2021 financial year.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

8. Other Information

8.1. Share-Based Payments

(a) Expenses arising from share-based payment transactions

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

	2021 $	2020 $
Share Based Payments		
Options issued to directors	1,737,991	2,283,917
Options issued to Employee/Consultant	529,166	219,001
	2,267,157	**2,502,918**

The fair value of options issued were calculated by using a Black-Scholes pricing model applying the following inputs.

	Directors	Directors	Directors	Directors	Directors	Directors
Grant dated	16/10/2019	16/10/2019	16/10/2019	26/11/2020	26/11/2020	26/11/2020
Number issued	90,000,000	90,000,000	90,000,000	20,000,000	20,000,000	20,000,000
Share price at grant date	$0.13	$0.13	$0.13	$0.036	$0.036	$0.036
Exercise price	$0.020	$0.025	$0.030	$0.020	$0.025	$0.030
Life of options (years)	5	5	5	4	4	4
Vesting life (years)[1]	–	–	–	–	–	–
Expected share price volatility	100%	100%	100%	117.83%	117.83%	117.83%
Weighted average risk free interest rate	0.77%	0.77%	0.77%	0.29%	0.29%	0.29%
Fair value per option	$0.0089	$0.0085	$0.0081	$0.0298	$0.0289	$0.0282

Note:

1. No implied service condition therefore, these options vest immediately

	Employee/ Consultant	Employee/ Consultant	Employee/ Consultant	Employee/ Consultant	Employee/ Consultant	Employee/ Consultant	Employee/ Consultant
Grant dated	21/11/2019	21/11/2019	21/11/2019	26/11/2020	26/11/2020	26/11/2020	24/12/2020
Number Issued	22,500,000	22,500,000	22,500,000	6,000,000	6,000,000	6,000,000	5,000,000
Share price at grant date	$0.13	$0.13	$0.13	$0.036	$0.036	$0.036	$0.03
Exercise price	$0.020	$0.025	$0.030	$0.020	$0.025	$0.030	$0.03
Life of options (years)	5	5	5	4	4	4	3
Vesting life (years)[2]	1	2	3	1	2	3	–
Expected share price volatility	100%	100%	100%	117.83%	117.83%	117.83%	117.36%
Weighted average risk free interest rate	0.84%	0.84%	0.84%	0.29%	0.29%	0.29%	0.34%
Fair value per option	$0.0090	$0.0084	$0.0082	$0.0298	$0.0289	$0.0282	$0.0208

Note:

2. These options have a service condition and therefore, vest over the vesting life

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) Options

Set out below are summaries of the options granted

				Consolidated
		2021		2020
	Number of options	Weighted average exercise price (cents)	Number of options	Weighted average exercise price (cents)
Outstanding at the beginning of the year	472,166,667	1.70	163,598,492	1.70
Granted	83,000,000	2.50	337,500,000	2.50
Expired	(19,500,000)	2.30	(28,931,825)	1.20
Outstanding at year-end	443,083,334	2.40	472,166,667	1.70
Exercisable at year-end	380,083,334	2.40	404,166,667	1.70
Un-exercisable at year-end	63,000,000	2.50	67,500,000	2.50

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.18 years (2020: 4.11 years), and the exercise price ranges from 1.5 to 3.0 cents.

Options exercised during the year resulted in 92,583,333 shares (2020: Nil) being issued at an average price of $1.70 each.

The range of exercise prices for options outstanding at the end of the year is $0.01 to $0.03 (2020: $0.01 to $0.03).

(c) Performance shares

On 16 October 2019, the Company issued 800,000,000 performance shares which convert to one ordinary share upon completion of the following milestones:

- 400,000,000 Performance Shares (Tranche 1) with a fair value of $4,800,000 that will convert to one Share on the Company entering into binding offtake for a minimum of 1,000 kgs of contained REO in respect of the Nechalacho Project or Wigu Hill Project within 2 years of the Acquisition completion date; and

- 400,000,000 Performance Shares (Tranche 2) with a fair value of $4,800,000 that will each convert to one Share on the Company commencing mining operations at the Nechalacho Project or Wigu Hill Project within 3 years of the issue of the Tranche 1 performance shares. Where this Tranche 2 milestone is satisfied, the Tranche 1 milestone will automatically be deemed to have been satisfied.

The Company assessed the probability of conditions being met at 0% in relation to Tranche 1 and 0% in relation to Tranche 2 as at the date of acquisition. The performance shares issued as part of the acquisition will not be remeasured at each reporting period. At the commencement of commercial mining operations at Nechalacho during the year, the 800,000,000 Performance Shares were converted to ordinary shares on a 1:1 basis. At 30 June 2021, nil Performance Shares are on issue (2020: 800,000,000 Performance Shares).

Accounting Policy

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Key estimates and judgements

The Group has an Incentive Option Scheme ("Scheme") for executives and employees of the Group. In accordance with the provisions of the Scheme, as approved by the shareholders at the November 2020 annual general meeting, executives and employees may be granted options at the discretion of the directors.

Each share option converts into one ordinary share of Vital Metals Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Options issued to directors are not issued under the Scheme but are subject to approval by shareholders.

8.2. 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 6.1.

(c) Key Management Personnel disclosures

Directors and other Key Management Personnel

The directors of Vital Metals Limited during the financial year were:

- Evan Cranston (appointed 22 October 2019)
- Geoff Atkins (appointed 22 October 2019)
- Phillip Coulson (resigned 20 December 2020)
- Francis Harper (resigned 4 August 2020)
- Zane Lewis (resigned 4 August 2020)
- James Henderson (appointed 4 August 2020)

Other Key Management Personnel consisted of:

- Anthony Hadley

Compensation of Key Management Personnel

	2021 $	2020 $
Short-term employee benefits	675,484	724,622
Post-employment benefits	26,600	10,023
Termination	–	–
Share-based payments	1,927,505	2,283,917
	2,629,589	**3,018,563**

Other transactions:

Mr James Henderson was appointed a director on 4 August 2020. Mr Henderson is also a Director of Transocean Securities Pty Ltd, Transocean Administration Services Pty Ltd and Transocean Services Pty Ltd, of which a total of $20,071 was paid in relation to rent and reimbursement of business expenses incurred during the year.

Performance Shares issued in 2019 to Mr Atkins (Tranche 1: 31,149,849 and Tranche 2: 31,149,849) and Mr Henderson (Tranche 1: 79,432,114 and Tranche 2: 79,432,114) converted to ordinary shares on a 1:1 basis on commencement of mining operations at the Nechalacho Project. The ordinary shares are held in escrow until 29 September 2021.

Other disclosures regarding Key Management Personnel are made in the remuneration report on pages 38 to 47.

8.3. Parent Entity Financial Information

The following information relates to the parent entity, Vital Metals Limited, as at 30 June 2021. The information presented here has been prepared using accounting policies consistent with those presented in this report.

	2021 $	2020 $
Assets		
Current assets	31,649,974	1,612,809
Non-current assets	3,289,290	3,100,000
Inter-company loan	31,860,211	14,013,067
Total assets	**66,799,475**	**18,725,876**
Liabilities		
Current liabilities	101,976	96,273
Non-current liabilities	–	–
Total liabilities	**101,976**	**96,273**
Equity		
Issued capital	107,265,583	57,645,649
Reserves	7,157,816	4,890,659
Accumulated losses	(47,725,899)	(43,906,705)
Total equity	**66,697,500**	**18,629,603**
Financial performance		
Profit/(loss) for the year	(3,819,194)	(3,460,913)
Other comprehensive income	–	–
Total comprehensive Profit/(loss)	**(3,819,194)**	**(3,460,913)**
Contingent liabilities and commitments	**–**	**–**

There are no parent company guarantees in place at the Reporting date.

8.4. Remuneration Of Auditors

	2021 $	2020 $
Amounts received or due and receivable by BDO		
• Audit and review of financial statements by BDO Audit (WA) Pty Ltd	77,814	46,214
• Other amounts received or due and receivable by BDO Reward (WA) Pty Ltd	19,882	–
Total remuneration	**97,696**	**46,214**

During the year, BDO Reward (WA) Pty Ltd were engaged to complete a remuneration review of Key Management Personnel for the year ended 30 June 2022.

8.5. Other Accounting Policies

Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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


TOMRA

Vital Metals Limited And Its Controlled Entities
ABN 32 112 032 596

Directors’ Declaration

In the directors’ opinion:

1. 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 56 to 99 are in accordance with the *Corporations Act 2001*, including

    a. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and,

    b. giving a true and fair view of the consolidated entity’s financial position as at 30 June 2021 and of its performance for the financial year ended on that date;

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2021, comply with Section 300A of the *Corporations Act 2001*; and:

The Notes to the Consolidated Financial Statements confirm that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

Evan Cranston
Chairman
Sydney: 30 September 2021

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2021, 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 2021 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 (including Independence Standards) (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.

Carrying value of exploration and evaluation assets

Key audit matter	How the matter was addressed in our audit
At 30 June 2021 the carrying value of the capitalised exploration and evaluation asset was disclosed in Note 3.2. As the carrying value of the exploration and evaluation asset represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. This was determined to be a key audit matter due to the significant judgement applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6").	Our procedures included, but were not limited to: • Obtaining a schedule of the area of interest held by the Group and assessing whether the rights to tenure of the area of interest remained current at balance date; • Verifying, on a sample basis, exploration and evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Company's exploration budgets, ASX announcements and director's minutes; • Considering whether any area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 3.2 to the Financial Statements.

Carrying value of mines under development

Key audit matter	How the matter was addressed in our audit
At 30 June 2021 the carrying value of mines under development was disclosed in Note 3.3. As the carrying value of mines under development represents a significant asset of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount. The recoverable value of mine properties is impacted by various key estimates and judgements in particular: • Ore Reserves and estimates; • Discount rate; • Assumed commodity prices; • Capitalisation of mining costs; and • Mine planning. The Group is also required to assess for indicators of impairment at each reporting period. The assessment of impairment indicators in relation to the mine assets requires management to make significant accounting judgements and estimates which includes discount rates, commodity price and ore reserve estimates. This was determined to be a key audit matter due to the significant judgement applied in determining the recoverable value of the asset in accordance with Australian Accounting Standard AASB 136 Impairment of Assets (“AASB 136”).	Our procedures included, but were not limited to: • Analysing management’s commodity price assumptions against external market information to determine whether a significant change would impact the value of the asset; • Challenging the appropriateness of management’s discount rate used in the financial model in conjunction with our internal valuation experts; • Challenging management sensitivity assessment by performing our own sensitivity analysis in respect of the key assumptions to indicate if there would be a significant change to the value of the asset; and • Assessing the adequacy of the related disclosures in Note 3.3 to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in financial report for the year ended 30 June 2021, 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 Group's 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 Group's 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 38 to 47 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Vital Metals Limited, for the year ended 30 June 2021, 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

Neil Smith
Director
Perth, 30 September 2021

ASX Additional Information As at 11 October 2021

The Australian Securities Exchange Limited, in respect of listed public companies, requires the following information:

1. Shareholding

(a) Distribution of shareholders as at 11 October 2021 - fully paid ordinary shares

Size of Holding	Number of Shareholers	Percentage of Holders	Number of Shares	Percentage of Shares
1-1,000 shares	102	0.9%	17,193	0.0%
1,001 - 5,000 shares	37	0.3%	119,433	0.0%
5,001 – 10,000 shares	1,138	9.6%	9,616,875	0.2%
10,000 – 100,000 shares	6,828	57.6%	299,474,114	7.2%
100,001 shares and over	3,753	31.6%	3,856,255,469	92.6%
Total	**11,858**	**100.0%**	**4,165,483,084**	**100.0%**

(b) Marketable Parcels

The number of shareholdings less than a marketable parcel is 717 holders with 4,396,068 shares as at 11 October 2021. The required marketable parcel is $500 (8,475 shares).

(c) Substantial Shareholders

As at 11 October 2021 there were two 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.

Substantial Shareholder	Number of Securities	Voting Power
Thebes Offshore Master Fund, LP ("Thebes") and Luxor Capital Group ("Luxor Capital")	230,769,231	5.58%
Transocean Private Investments Pty Ltd atf Transocean Private Investment Trust	208,296,342	5.04%

(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, Performance Rights or Performance Shares on issue.

(e) On-market Buy-Back

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

(f) Top Twenty Shareholders of Vital Metals Limited – Ordinary Shares

	Fully Paid Ordinary Shares	Percentage of Total (%)
HSBC Custody Nominees (Australia) Limited	307,478,147	7.38%
HSBC Custody Nominees (Australia) Limited <GSCO Customers A/C)	228,068,801	5.48%
Transocean Private Investments Pty Ltd <Transocean Private Inves A/C>	208,296,342	5.00%
Citicorp Nominees Pty Limited	151,954,846	3.65%
BNP Paribas Noms Pty Ltd <DRP>	122,696,279	2.95%
Tisia Nominees Pty Ltd <Henderson Family A/C>	118,100,467	2.84%
Atkins Projects And Infrastructure Pty Ltd <G & C Atkins Family A/C>	93,449,547	2.24%
Troca Enterprises Pty Ltd	52,000,000	1.25%
Perenti International Pty Ltd	44,399,982	1.07%
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	42,166,216	1.01%
Seamist Enterprises Pty Ltd	38,937.310	0.93%
Mr Rameshweren Kanagalingam	31,270,000	0.75%
Mr Jack Dwyer	30,649,848	0.74%
Kobia Holdings Pty Ltd	30,000,000	0.72%
Troca Enterprises Pty Ltd <Coulson Super A/C>	28,750,000	0.69%
Bill Brooks Pty Ltd <Bill Brooks Super Fund A/C>	25,107,321	0.60%
Blu Bone Pty Ltd	23,500,000	0.56%
TT Capital Nominees Pty Ltd	21,862,386	0.52%
Ocean View Wa Pty Ltd	21,250,000	0.51%
Nereena Pty Ltd <Nereena Super Fund>	20,147,473	0.48%
Totals: Top 20 Holders Of Ordinary Shares (Total)	**1,640,084,965**	**39.37%**
Total Remaining Holders Balance	**2,525,398,119**	**60.63%**
Total All Shareholders	**4,165,483,084**	**100.0%**

2. Unquoted Equity Securities

The unquoted equity securities outstanding are as follows:

Number	Class	Holders with more than 20% interest in that class
11,333,334	Unlisted options exercisable at 1.5 cents expiring 19 July 2022	Boston First Capital Pty Ltd (10,000,000) Bay Ili Paul Perre (666,667) Darren Sutton (666,667)
5,000,000	Unlisted options exercisable at 3.0 cents expiring 24 December 2023	BJS Robb Pty Ltd (2,500,000) Zimbali Nominees Pty Ltd (2,500,000)
20,000,000	Unlisted options exercisable at 2.0 cents expiring 22 October 2024	Jalonex Investments Pty Ltd (20,000,000)
20,000,000	Unlisted options exercisable at 2.5 cents expiring 22 October 2024	Jalonex Investments Pty Ltd (20,000,000)
20,000,000	Unlisted options exercisable at 3.0 cents expiring 22 October 2024	Jalonex Investments Pty Ltd (20,000,000)
90,000,000	Unlisted options exercisable at 2.0 cents expiring 22 October 2024	Atkins Projects and Infrastructure Pty Ltd (Geoff Atkins) (30,000,000) Konkera Pty Ltd <Konkera Family A/c> (Evan Cranston) (60,000,000)
90,000,000	Unlisted options exercisable at 2.5 cents expiring 22 October 2024	Atkins Projects and Infrastructure Pty Ltd (Geoff Atkins) (30,000,000) Konkera Pty Ltd <Konkera Family A/c> (Evan Cranston) (60,000,000)
90,000,000	Unlisted options exercisable at 3.0 cents expiring 22 October 2024	Atkins Projects and Infrastructure Pty Ltd (Geoff Atkins) (30,000,000) Konkera Pty Ltd <Konkera Family A/c> (Evan Cranston) (60,000,000)
28,500,000	Unlisted options exercisable at 2.0 cents expiring 31 January 2025	Mathew Edler (12,500,000) Darren Sutton (7,500,000) Anthony Hadley (6,000,000) David Connelly (2,500,000)
28,500,000	Unlisted options exercisable at 2.5 cents expiring 31 January 2025	Mathew Edler (12,500,000) Darren Sutton (7,500,000) Anthony Hadley (6,000,000) David Connelly (2,500,000)
28,500,000	Unlisted options exercisable at 3.0 cents expiring 31 January 2025	Mathew Edler (12,500,000) Darren Sutton (7,500,000) Anthony Hadley (6,000,000) David Connelly (2,500,000)

Distribution of holders of unquoted equity securities

	Unlisted options ($0.015 @ 19/07/2022)		Unlisted options ($0.03 @ 24/12/2023)		Unlisted options ($0.02 @ 22/10/2024)		Unlisted options ($0.025 @ 22/10/2024)		Unlisted options ($0.03 @ 22/10/2024)	
	No. of holders	No. of securities	No. of holders	No. of securities	No. of holders	No. of securities	No. of holders	No. of securities	No. of holders	No. of securities
1 – 1,000	–	–	–	–	–	–	–	–	–	–
1,001 – 5,000	–	–	–	–	–	–	–	–	–	–
5,001 – 10,000	–	–	–	–	–	–	–	–	–	–
10,001 – 100,000	–	–	–	–	–	–	–	–	–	–
100,001 and over	3	11,333,334	2	5,000,000	1	20,000,000	1	20,000,000	1	20,000,000
Total	**3**	**11,333,334**	**2**	**5,000,000**	**1**	**20,000,000**	**1**	**20,000,000**	**1**	**20,000,000**

	Unlisted options ($0.02 @ 22/10/2024)		Unlisted options ($0.025 @ 22/10/2024)		Unlisted options ($0.03 @ 22/10/2024)		Unlisted options W($0.02 @ 31/01/2025)		Unlisted options ($0.025 @ 31/01/2025)		Unlisted options ($0.03 @ 31/01/2025)	
	No. of holders	No. of securities	No. of holders	No. of securities	No. of holders	No. of securities	No. of holders	No. of securities	No. of holders	No. of securities	No. of holders	No. of securities
1 – 1,000	–	–	–	–	–	–	–	–	–	–	–	–
1,001 – 5,000	–	–	–	–	–	–	–	–	–	–	–	–
5,001 – 10,000	–	–	–	–	–	–	–	–	–	–	–	–
10,001 – 100,000	–	–	–	–	–	–	–	–	–	–	–	–
100,001 and over	2	90,000,000	2	90,000,000	2	90,000,000	4	28,500,000	4	28,500,000	4	28,500,000
Total	**2**	**90,000,000**	**2**	**90,000,000**	**2**	**90,000,000**	**4**	**28,500,000**	**4**	**28,500,000**	**4**	**28,500,000**

3. Company Secretary

The name of the Company Secretary is Louisa Martino.

4. Registered Office

Level 5, 56 Pitt Street
Sydney, NSW, AUSTRALIA, 2000

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F +61 2 9525 8466

www.vitalmetals.com.au

5. Registers Of Securities

Automic Registry Services
Level 2
267 St Georges Terrace
Perth, WA, 6000

T 1300 288 664

6. Stock Exchange Listing

Australian Securities Exchange Limited
(ASX Code: VML)

7. Restricted Securities

The Company has the following restricted securities: nil


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