VITAL METALS LTD

ABN 32 112 032 596

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2017 and any public announcements made by Vital Metals Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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Corporate Information

ABN 32 112 032 596

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

Company Secretary
Matthew Foy (appointed 17 November 2017)

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Facsimile: +61 8 9388 0804

Share Register
Automic Registry Services
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WEST PERTH WA 6005
Telephone: (08) 9324 2099
Facsimile: (08) 9321 2337

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

Internet Address
www.vitalmetals.com.au

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

DIRECTORS' REPORT

Your Directors are pleased to present their report on the consolidated entity consisting of Vital Metals Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

DIRECTORS

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

Mr David Macoboy
Mr Mark Strizek
Mr Andrew Simpson
Mr Peter Cordin
Mr Francis Harper

REVIEW AND RESULTS OF OPERATIONS

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

	2017	
	Income **$**	**Results** **$**
Consolidated entity income and loss	*10,653*	*(1,223,982)*

Bouli Gold Project, Niger

During the Period, Vital Metals signed an agreement with SUMMA, a private Turkish company, to begin exploration on exploration permits in Niger, West Africa. SUMMA has a broad range of multi-jurisdictional interests (**Agreement**).

The Agreement covers three exploration permits (4,289km² in total) held by a subsidiary of SUMMA. Two permits, Bouli and Tringui-3, are located 20km north of the Samira Hill mine near the Burkina Faso border. While the third permit, Keradet is in the Agadez region in northern Niger and has not received any significant exploration work.

Agreement Terms with SUMMA

- Vital to undertake initial six-month work program, spending US$1M on exploration including drilling the high value Bella Tondi target and completing a detailed airborne geophysics program. After six months, Vital can elect to withdraw or proceed to next stage.
- Two-year term, spending an additional US$5M on exploration to acquire a 50% interest in holding company and form a Joint Venture with SUMMA.
- Upon a decision to mine being made, SUMMA can elect to jointly fund further expenditure or withdraw for a 2.5% gross revenue royalty.

In December, Vital announced the commencement of a 3,000m reverse circulation (RC) drill program at the Bella Tondi prospect, part of the Bouli Gold Project in Niger, West Africa.

Bella Tondi is located about 25km north of the 2.5Moz Samira Hill gold project on a prominent north-south structure with gold mineralisation located on the contact between a mafic instructive and volcanoclastics.

There has been significant hard rock artisanal mining over at strike length of more than 1.5km at the prospect, with more than 20,000 miners working on it. Workings stopped at about 50m depth due to encountering the water table.

Vital's program at Bella Tondi is the first time the mineralisation has been drill tested. The program is designed to test gold mineralisation under the artisanal workings, with drill fences spaced on 100m sections along the strike of the existing workings.

Subsequent to the Period the Company announced the results of the 3,000m RC dill program at the Bella Tondi Prospect.

The RC holes successfully intersected gold mineralisation below extensive hard rock artisanal mining activity. Gold grades of up to **36.5 g/t Au** returned along strike with multiple zones of gold mineralisation including:

- **BTRC022B: 2m @ 13.1 g/t Au from 83m**
- **BTRC005B: 8m @ 10.3 g/t Au from 62m including 2m @ 36.5g/t Au from 62m**
- **BTRC029: 15m @ 3.1 g/t Au from 56m, ending in mineralisation**
- **BTRC008: 2m @ 3.5 g/t Au from 18m**
- **BTRC008: 2m @ 3.4 g/t Au from 40m**
- **BTRC026: 8m @ 2.9 g/t Au from 46m**
- **BTRC013: 4m @ 1.4 g/t Au from 6m**
- **BTRC009: 6m @ 1.1 g/t Au from 8m**
- **BTRC016: 10m @ 1.0 g/t Au from 22m**

Multiple voids were intersected in drill holes. These voids are thought to represent higher grade material mined out by artisanal workers over a 12 month period.

RC drill fences were spaced at a nominal 100m over 1.5km strike length. Further RC and diamond drilling along strike and down dip is planned and will be required to define the controls on the mineralised gold intersections.

The average depth of the drilling program is very shallow. The deepest intercepts reported below artisanal workings lie between 50 to 60m below surface. Gold mineralisation remains open at depth and along strike.

Logging of RC drill chips has identified the mafic intrusive to be a dolerite on a sheared contact with metasediments on the east. Gold mineralisation appears to be associated with quartz veining, pyrite, magnetite, hematite and sericite and carbonate alteration. The oxidation at the southern end of BT is extremely deep and will be amenable to free dig.

RC samples from the drill program were sent to Niamey for clearance by customs and then transported by road to Ouagadougou for sample preparation and analysis at Actlabs. The samples were retained in the custody of Vital until handover to Actlabs.

Vital is planning further drilling along strike and at depth. The drilling depth of the initial program was limited by the rig capacity to drill significantly below the water table.

Burke Burke and Petit Druirkou prospects

Located approximately 5km to the west of Bella Tondi within a north-west trending corridor of gold mineralisation are:

- Burke Burke (BB) – RAB + DD
- Petit Druirkou (PD) – RAB + DD

Previous exploration conducted by SUMMA on these prospects includes 589 RAB holes with an average depth of 10m drilled for 6,000m and 34 DD holes with an average depth of 105m drilled for 3,569m. Highlights from the diamond drilling include the following high-grade gold intercepts[1] of:

  - BDD002: 17.9m @ 7.92 g/t Au from 57.2m
  - BDD001: 1.6m @ 16.58 g/t Au from 63.7m
  - BDD029: 7.1m @ 2.73 g/t Au from 16.0m

[1] Results reported previously 18/10/2017 - The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement.

Vital's geological team has reviewed the drill core from the previous program and now consider the gold mineralisation within this corridor to be hosted in a folded sequence of metasediments and meta-tuffs with mineralised quartz veins and sulphide stringers probably plunging parallel to the fold axes.

Regionally this is consistent with the Samira Hill gold deposit which is located in a horizontal or recumbent fold hinge. The Petit Druirkou gold prospect appears to be located along this favourable horizon, as recognized by the geologists of SEMAFO.

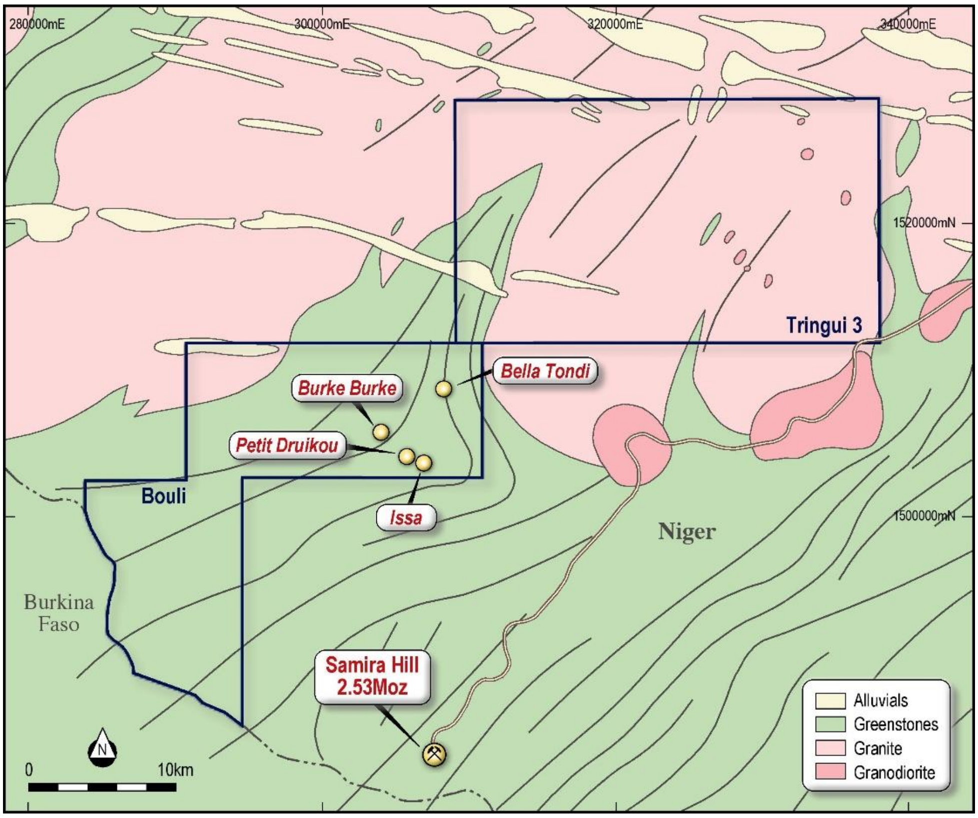


Figure 1: Project Location Map, Niger

Further exploration is planned to test this this mineralised corridor which is already known to host shallow high-grade gold mineralisation. There is good potential to extend the limits of known gold mineralisation considering the previous drilling results and a number of +100 Au ppb RAB gold anomalies which have not yet been drill tested.

Tringui Permit

Field exploration conducted on the Tringui exploration permit has discovered gold artisanal activities that lie to the north of the Bella Tondi trend. Three different artisanal activities were noted, and they have different length and orientations. Artisanal miners are following quartz fragments in laterite. A number of deeper pits have been developed similar to the earlier workings at Bella Tondi.

Tringui is known to host granite intrusions. The granite body is coarse grained and thin quartz veins and aplitic dykes have been observed during field mapping. Pegmatite veins have also been mapped. These veins vary in orientation and dip approximately 75°. So far vein thicknesses of over 1 metre have been observed at surface. The potential for these pegmatites to host lithium mineralisation is being assessed.

Bouli Project Agreement

Subsequent to the Period, Vital negotiated an extension to the option period under the Agreement with SUMMA. The period has been extended to 31 July 2018 giving Vital time to complete its work program over the Bouli project area. At the conclusion of the period Vital can elect to proceed or withdraw from the agreement.

If Vital chooses to proceed, the Company can earn a 50% interest in the project by spending an additional $5M on exploration over two years. On establishment of a 50/50 joint venture, Vital can acquire control by purchasing SUMMA's remaining stake for a 2.5% gross revenue royalty.

Watershed Tungsten Project, Far North Queensland (Vital 100%)

Vitals' 100%-owned Watershed Tungsten Project is located 130km north of Cairns in Far North Queensland and is well placed to provide tungsten concentrates that are necessary to make the metals and composites that underpin modern industry.

Tungsten metals and composites have outstanding properties; being very hard, very tough, heat-resistant and are indispensable in the following applications:

- Automotive Industry
- Industrial Engineering
- Mining & Road Construction
- Aviation & Space
- Energy Oil & Gas
- Health
- Agriculture
- Defence Industries

Watershed is a development-ready opportunity that is permitted with granted Mining Leases and an Environmental Authority for an open pit development. All landowner and Indigenous agreements in place and is located in a mining friendly Tier 1 jurisdiction.

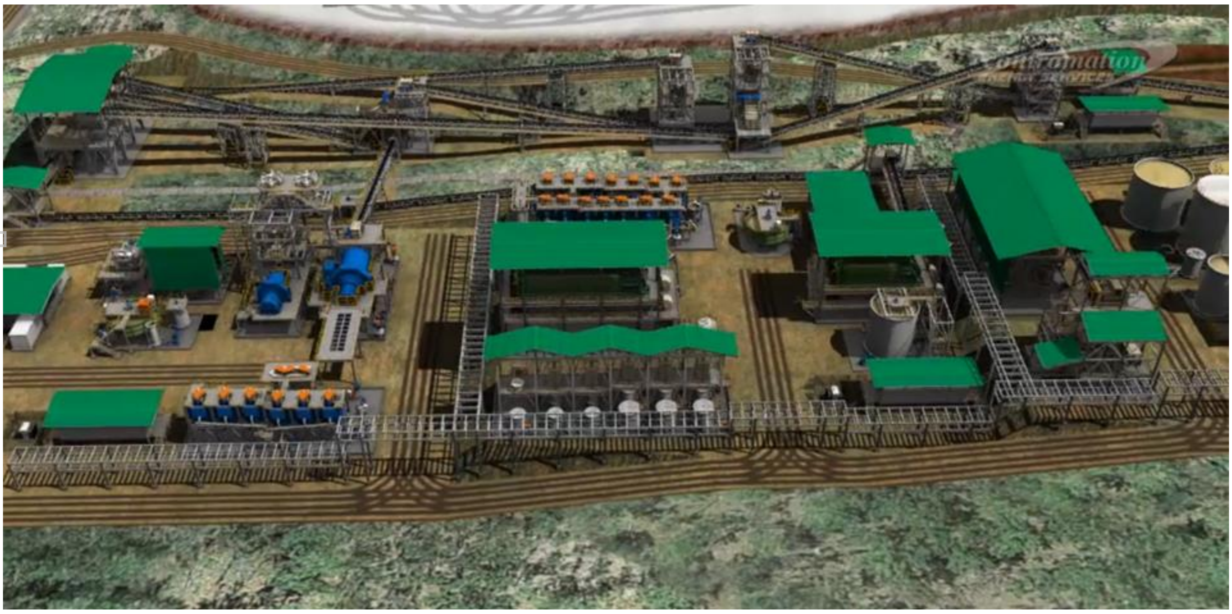
The Watershed DFS was completed in September 2014[2] and since that time Vital has identified significant opportunities to achieve savings in both Capex and Opex compared to that study:

Capex

- Civil earthworks optimization
- Optimisation of plant layout
- Signification reduction in direct construction costs
- Flowsheet optimisation

Opex

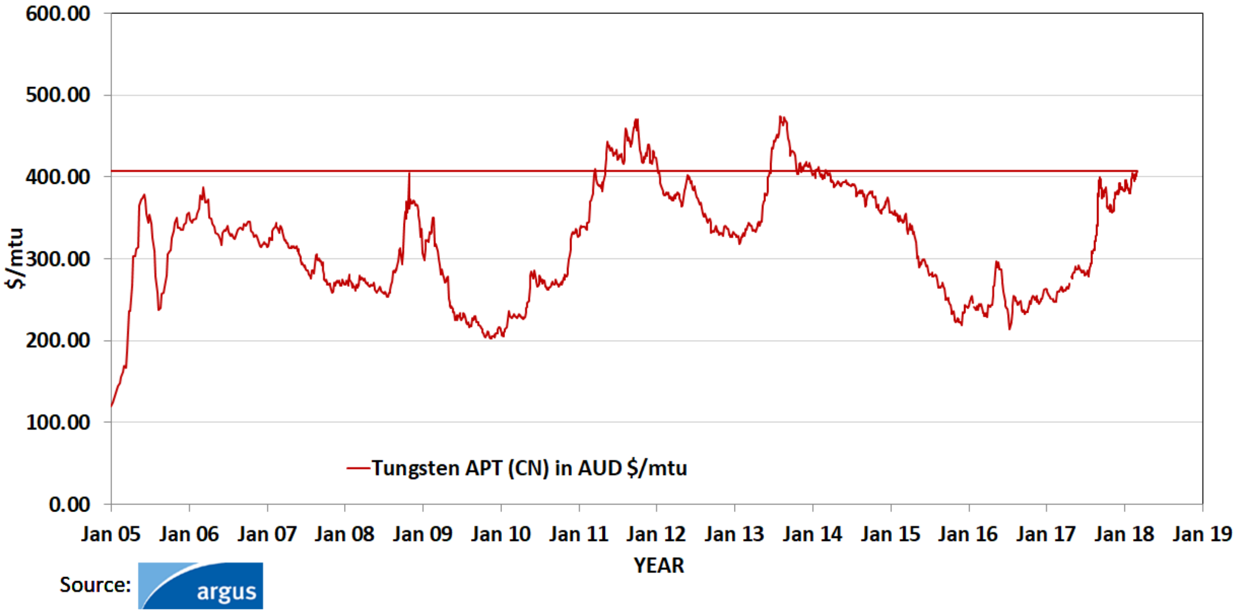
- Fuel and energy cost reductions
- Positive changes to salary and wages
- Flowsheet optimisation



[2] DFS reported in ASX Announcement 17 September 2014. Updated DFS figures reported in ASX release 22 January 2015, 29 June 2015, 22 January 2016 and 5 September 2017. The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements.

Discussions continue with potential offtake partners who are attracted to the Watershed Tungsten Project due to the clean high-grade scheelite concentrate that will produced at globally competitive prices. Arranging a suitable concentrate offtake agreement will be a pre-requisite of non-equity financiers as they will require most of the tungsten produced be sold to a reputable buyer with suitable credit risk.

Tungsten prices remain strong due to increased end user demand and reduced supply. Tungsten ammonium para tungstate (APT) prices have consolidated at near decade highs in Australian dollar terms being over A$400/mtu at time of writing.



Supply of concentrate remains tight and market forecasters expect this to remain following the directive by Chinese authorities to their domestic mineral sector that they are on notice and regulators will enforce environmental and safety regulations. This has resulted in the closure of polluting mines and refiners. Many of these old non-compliant operations will be permanently shut due to these violations.

As a technology metal, tungsten looks set to transform energy storage with the development of a battery by researchers at the University of Central Florida that can be charged instantaneously over thousands of cycles. The properties of the tungsten compounds means the new battery would be flexible and a fraction of the size of a lithium-ion battery[3]

The design is based on a hybrid supercapacitor composed of a core with millions of highly conductive nanowires coated with shells of two-dimensional materials. The core nanowire material is tungsten trioxide (WO3) and the two-dimensional shell material is tungsten disulphide (WS2). It combines fast charging and discharging (high power density) and high storage capacity (high energy density).

This would give electric vehicles longer-range operation and improved bursts of power and speed. As the material is flexible this could mean a significant advancement in wearable tech, according to the researchers, and would also avoid the risk of overheating and explosion with lithium-ion batteries.

Whilst early days, this emerging use may lead to a strong increase in tungsten demand, as well as offer a superior battery technology.

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[3] High-Performance One-Body Core/Shell Nanowire Supercapacitor Enabled by Conformal Growth of Capacitive 2D WS2 Layers

ILUA	Agreement with the Western Yalanji people for development of the open pit operation secured and registered with the National Native Title Tribunal
Environmental Approval	Open pit operation permitted by the Department of Environment and Heritage Protection on 3rd September 2013
Mining Lease	Seven Mining Leases for a total of 1,904 hectares were granted on the 1st December 2013 for a period of 20 years by the Department of Natural Resources and Mines
Mineral Resource	Measured, Indicated and Inferred Mineral Resources. At a cut-off grade of 0.05% WO_3 the Watershed deposit contains Mineral Resources of 49.32Mt at 0.14% WO_3 for 70,400 tonnes of WO_3[4]
Mineral Reserves	Proved and Probable Ore Reserve derived from Measured and Indicated Mineral Resources. Total in-ground ore inventory within final design pits is 21.3 Mt at an average WO_3 grade of 0.15% using a cut-off grade of 0.05% WO_3 and is inclusive of a 95% mining recovery[5]
Clean Scheelite Concentrate	Flowsheet has demonstrated that a high-grade >65% WO_3 scheelite concentrate can be produced. Concentrate is extremely low in penalty elements: • No Arsenic • No Molybdenum • No Uranium • No Thorium
Definitive Feasibility Study	DFS considered 10-year open pit operation processing 2.5Mtpa with only ~40% of resources extracted. Significant near-mine exploration potential[6] A program of continuous improvement since the completion of the DFS has positioned the project as arguably the best development ready tungsten project located in a Tier 1 mining jurisdiction
Exploration Pipeline	World-class pipeline of tungsten exploration prospects to drive growth[7]

[4] Mineral Resources initially reported ASX release 30 June 2012. Mineral Resources classified using JORC 2004 guidelines.
[5] Watershed Ore Reserves first reported in ASX release 17 September 2014. Mineral Reserves classified using JORC 2012 guidelines.
[6] Key finding Watershed DFS first reported in ASX release 17 September 2014.
[7] Exploration Targets reported in ASX release 13 October 2014.
Watershed Mineral Resources and Ore Reserves reported at a cut-off grade of 0.05% WO_3.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements.

Corporate

During the Period the Company advised it had raised $1.98 million through a heavily oversubscribed placement of 263,938,807 shares at price of 0.75¢ per share.

SUBSEQUENT EVENTS

Subsequent to the Period, Vital negotiated an extension to the option period under the Agreement with SUMMA. The period has been extended to 31 July 2018 giving Vital time to complete its work program over the Bouli project area. At the conclusion of the period Vital can elect to proceed or withdraw from the agreement.

Other than the above, there have been no other matters or circumstances which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2017, of the Company, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2017, of the Company.

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 10.

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

David Macoboy
Chairman

Perth, 16 March 2018

Competent Person's Statement

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

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Australia

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

As lead auditor for the review of Vital Metals Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half-year 2017 $	Half-year 2016 $
INCOME			
Sundry income		3,176	1,364
Finance income		7,477	7,145
TOTAL INCOME		10,653	8,509
EXPENSES			
Share-based payments	10	(56,261)	(170,000)
Depreciation		(2,097)	(3,579)
Exploration expenses		(693,053)	(1,077,541)
Professional Fees		(90,021)	(114,279)
Corporate Compliance		(41,509)	(25,456)
Personnel expenses		(46,231)	(56,173)
Other administration expenses		(214,416)	(245,392)
Finance expenses		(91,047)	(132,391)
TOTAL EXPENSES		(1,234,635)	(1,824,810)
LOSS BEFORE INCOME TAX		(1,223,982)	(1,816,301)
Income tax benefit / (expense)		-	-
NET LOSS FOR THE HALF-YEAR		(1,223,982)	(1,816,301)
OTHER COMPREHENSIVE INCOME / LOSS			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		58,931	(22,077)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF VITAL METALS LTD		(1,165,051)	(1,838,378)
Basic and diluted loss per share for the half year attributable to members of Vital Metals Ltd (cents)		(0.10)	(0.32)

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 31 DECEMBER 2017

	Note	31 December 2017 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents	4	1,735,097	2,674,830
Trade and other receivables	5	96,136	69,496
TOTAL CURRENT ASSETS		1,831,233	2,744,326
NON-CURRENT ASSETS			
Property, plant and equipment		21,708	23,804
Exploration and evaluation asset	6	8,087,788	7,588,322
TOTAL NON-CURRENT ASSSETS		8,109,496	7,612,126
TOTAL ASSETS		9,940,729	10,356,452
CURRENT LIABILITIES			
Trade and other payables	7	212,118	1,396,661
Provisions		40,014	43,778
Borrowings	8	1,336,913	-
TOTAL CURRENT LIABILITIES		1,589,045	1,440,439
NON-CURRENT LIABILITIES			
Borrowings	8	-	1,308,223
Provisions		400,000	400,000
TOTAL NON-CURRENT LIABILITIES		400,000	1,708,223
TOTAL LIABILITIES		1,989,045	3,148,662
NET ASSETS		7,951,684	7,207,790
EQUITY			
Contributed equity	9	49,530,695	47,810,512
Reserves		2,376,183	2,128,490
Accumulated Losses		(43,955,194)	(42,731,212)
TOTAL EQUITY		7,951,684	7,207,790

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Contributed Equity	Share-Based Payment Reserve	Convertible Note Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
	$	$	$	$	$	$
BALANCE AT 1 JULY 2016	41,344,085	757,110	133,901	397,292	(37,769,786)	4,862,602
Loss for the half-year	-	-	-	-	(1,816,301)	(1,816,301)
OTHER COMPREHENSIVE INCOME/(LOSS)						
Exchange differences on translation of foreign operations	-	-	-	(22,077)	-	(22,077)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	-	(22,077)	(1,816,301)	(1,838,378)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares	1,513,271	-	-	-	-	1,513,271
Share issue transaction costs	(109,688)	-	-	-	-	(109,688)
Share based payments expense	40,000	130,000	-	-	-	170,000
BALANCE AT 31 DECEMBER 2016	42,787,668	887,110	133,901	375,215	(39,586,087)	4,597,807
BALANCE AT 1 JULY 2017	47,810,512	1,506,681	233,442	388,367	(42,731,212)	7,207,790
Loss for the half-year	-	-	-	-	(1,223,982)	(1,223,982)
OTHER COMPREHENSIVE INCOME/(LOSS)						
Exchange differences on translation of foreign operations	-	-	-	58,931	-	58,931
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	-	-	-	58,931	(1,223,982)	(1,165,051)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares	1,981,409	-	-	-	-	1,981,409
Share issue transaction costs	(261,226)	-	-	-	-	(261,226)
Share based payments expense	-	188,762	-	-	-	188,761
BALANCE AT 31 DECEMBER 2017	49,530,695	1,695,443	233,442	447,298	(43,955,194)	7,951,684

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year	
	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Other Receipts	-	1,364
Interest received	7,748	7,145
Payments for exploration and evaluation costs	(1,888,568)	(657,306)
Payments to suppliers and employees	(412,580)	(491,557)
Net cash (outflow) from operating activities	(2,293,400)	(1,140,354)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(947)
Transfer to Macquarie interest off-set account	-	(436,684)
Payments for capitalised exploration and evaluation costs	(499,466)	(566,699)
Net cash (outflow) from investing activities	(499,466)	(1,004,330)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	32,372
Repayment of borrowings	-	(20,309)
Interest paid	-	(132,391)
Proceeds from issue of shares	1,981,409	1,513,271
Share issue costs	(128,276)	(109,688)
Net cash inflow from financing activities	1,853,133	1,283,255
Net increase/(decrease) in cash and cash equivalents	(939,733)	(861,429)
Cash and cash equivalents at the beginning of the half-year	2,674,830	1,388,368
Effects of exchange rate changes on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	1,735,097	526,939

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

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

Vital Metals Ltd ("the Company") is a company domiciled in Australia. The consolidated interim financial report of the Group as at, and for the six months ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as the "Group").

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these statements are to be read in conjunction with the annual report for the year ended 30 June 2017. This consolidated interim financial report was approved by the Board of Directors on 16 March 2018.

The Group applies the most appropriate accounting policy for exploration and evaluation expenditure incurred for each area of interest. From 1 July 2016 the Group has changed its accounting policy for exploration and evaluation expenditure incurred on the Burkina Faso area of interest from capitalising to expensing. This change in accounting policy has been applied retrospectively from the earliest presented reporting period. The result of this retrospective application is no change to the Statement of Profit or Loss and Other Comprehensive Income and no change to the Statement of Financial Position for the comparative periods presented. This change in accounting policy for the Burkina Faso area of interest has been made as the directors believe it provides more relevant and reliable information for the users of the financial report. Exploration and evaluation expenditure for the Australian area of interest continue to be capitalised in accordance with the accounting policies noted in the 30 June 2016 financial statements. Exploration and evaluation expenditure for the Niger area of interest is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

New policies, revised or amending Accounting Standards and Interpretations adopted

In the half-year ended 31 December 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

Going Concern

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

For the 6 month period ended 31 December 2017, the Group incurred a loss of $1,223,982 and incurred net cash outflow from operations of $2,293,400 and net cash outflows from investing activities of $499,466. At 31 December 2017 the balance of the Macquarie convertible debt facility was $1,300,000, this facility expires on 31 December 2018 and available cash was $1,735,097. As a result, the ability of the entity to continue as a going concern is dependent on securing additional funding through raising additional capital and the successful renegotiation of its debt facility to continue to fund its operational and exploration activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management believe there are sufficient funds to meet the entity's working capital requirements and they will be able to raise any additional funds required to meet future commitments. The Group has reduced its expenditure in the period since 31 December 2017 to operate within available cash resources.

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

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- Negotiations are continuing to restructure the Macquarie convertible debt facility; and
- The Group is confident it will raise sufficient equity to meet foreseeable cash expenditure.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

NOTE 2: ESTIMATES

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2017.

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

NOTE 3: SEGMENT INFORMATION

The consolidated entity has two reportable segments being mineral exploration and prospecting for minerals in Australia and West Africa.

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

NOTE 3: SEGMENT INFORMATION (Continued)	Australia $	West Africa $	Consolidated Total $
At 31 December 2017			
Segment operating assets	8,087,787	52,021	8,139,808
Reconciliation of segment operating assets to total assets:			
Cash and cash equivalents			1,708,446
Receivables			70,767
Property, plant & equipment (head office)			21,708
Total assets			9,940,729
Segment operating liabilities	60,789	27,068	87,857
Reconciliation of segment operating liabilities to total liabilities:			
Payables and provisions (head office)			564,275
Borrowings (head office)			1,336,913
Total liabilities			1,989,045

At 30 June 2017	Australia $	Burkina Faso $	Consolidated Total $
Segment revenue	2,727	-	2,727
Reconciliation of segment revenue to total revenue before tax:			
Other income			-
Interest revenue			12,040
Total revenue			14,767
Segment result	-	(3,675,059)	(3,675,059)
Reconciliation of segment result to net loss before tax:			
Depreciation			(7,522)
Personell expenses			(676,293)
Finance expense			(264,595)
Other corporate and administration			(337,958)
Net loss before tax			(4,961,426)

NOTE 3: SEGMENT INFORMATION (Continued)	**Australia $**	**Burkina Faso $**	**Consolidated Total $**
At 30 June 2017			
Segment operating assets	**7,606,733**	**43,830**	**7,650,563**
Reconciliation of segment operating assets to total assets:			
Cash and cash equivalents			**2,640,294**
Receivables			**60,201**
Property, plant & equipment (head office)			**5,394**
Total assets			**10,356,452**
Segment operating liabilities	**463,062**	**1,241,175**	**1,704,237**
Reconciliation of segment operating liabilities to total liabilities:			
Payables and provisions (head office)			**136,202**
Borrowings (head office)			**1,308,223**
Total liabilities			**3,148,662**

NOTE 4: CASH AND CASH EQUIVALENTS

	31 December 2017 $	**30 June 2017 $**
Cash at bank and on hand	**1,716,347**	2,656,080
Short-term deposits	18,750	18,750
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**1,735,097**	2,674,830

NOTE 5: RECEIVABLES

	31 December 2017 $	**30 June 2017 $**
Security deposits	**21,250**	24,500
Prepayments	**32,615**	102
Other receivables	**42,271**	44,893
Total	**96,136**	69,495

NOTE 6: EXPLORATION AND EVALUATION ASSET

	31 December 2017 $	30 June 2017 $
Opening balance	7,588,322	7,017,417
Exploration expenditure	1,192,519	4,297,556
Exploration expenditure – expensed	(693,053)	(3,622,109)
R&D tax incentive claim	-	(104,542)
Closing balance	8,087,788	7,588,322

The Directors have not identified any impairment triggers and have on this basis determined that the carrying value of the Group's exploration and evaluation assets represents fairly the recoverable amount of the assets.

1. During the Period, Vital Metals signed an agreement with SUMMA, a private Turkish company, to begin exploration on exploration permits in Niger, West Africa. SUMMA has a broad range of multi-jurisdictional interests. The key terms of the agreement are as follows:
    i. Vital to undertake initial six-month work program, spending US$1M on exploration including drilling the high value Bella Tondi target and completing a detailed airborne geophysics program. After six months, Vital can elect to withdraw or proceed to next stage.
    ii. Two-year term, spending an additional US$5M on exploration to acquire a 50% interest in holding company and form a Joint Venture with SUMMA.
    iii. Upon a decision to mine being made, SUMMA can elect to jointly fund further expenditure or withdraw for a 2.5% gross revenue royalty.

NOTE 7: TRADE AND OTHER PAYABLES

	31 December 2017 $	30 June 2017 $
Trade creditors	163,052	222,068
Accrued expenses	49,066	1,174,593
Closing balance	212,118	1,396,661

NOTE 8: BORROWINGS

	31 December 2017 $	30 June 2017 $
Current Liability		
Bank facility – Macquarie	1,336,913	-
Closing Balance	1,336,913	-

	31 December 2017 $	30 June 2017 $
Non-Current Liability		
Bank facility – Macquarie	-	1,308,223
Closing Balance	-	1,308,223

A gross revenue royalty of 1.5% on production at Watershed is payable to Macquarie Bank. The royalty has been assessed as being valued at nil at balance date due to the early stage of the project and there is no obligation to pay the royalty at balance date.

NOTE 9: CHANGES IN EQUITY SECURITIES ON ISSUE

Movements in shares on issue during the half year	**Number of Shares**	**$**
Beginning of the half year	**1,055,751,226**	**47,810,512**
Issued during the half year:		
– Placement 25 September 2017	**263,937,807**	**1,981,409**
Less: Transaction costs	**-**	**(261,226)**
End of the half year	**1,319,689,033**	**49,530,695**

Movements in options on issue during the half year	**Options**
Beginning of the half year	**186,937,742**
Issued during the half year:	
– Exercisable at 1.2 cents and expiring 24 November 2019	**28,931,825**
– Exercisable at 1.0 cents and expiring 17 November 2021	**25,000,000**
End of the half year	**240,869,567**

NOTE 10: SHARE BASED PAYMENTS

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

	Consolidated			
	31 December 2017		31 December 2016	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the half year	**186,937,742**	**2.0**	**91,083,640**	**4.3**
Employees:				
Granted	**28,931,825**	**1.2**	**14,096,763**	**2.7**
Forfeited	**(9,687,133)**	**4.0**	**(13,214,689)**	**4.2**
Brokers:				
Granted	**25,000,000**	**1.0**	**-**	**-**
Forfeited	**-**	**-**	**-**	**-**
Outstanding at half year-end	**231,182,434**	**1.7**	**91,965,714**	**4.1**
Exercisable at half year-end	**216,716,521**	**1.7**	**91,965,714**	**4.1**

The weighted average remaining contractual life of share options outstanding at the end of the half year was 2.19 years (2016: 0.75 years), and the exercise price ranges from 1.0 to 4.3 cents.

The fair value of options granted during the half year was calculated by using a black-scholes pricing model applying the following inputs.

	Director	Brokers
Grant date	**17/11/17**	**15/9/17**
Share price at grant date	**$0.008**	**$0.008**
Exercise price	**$0.012**	**$0.010**
Life the option (years)	**2.0**	**4.0**
Expected share price volatility	**100%**	**100%**
Weighted average risk free interest rate	**1.79%**	**1.95%**
Fair value per option	**$0.0035**	**$0.0053**
Total fair value	**$101,261**	**$132,500**

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.

NOTE 10: SHARE BASED PAYMENTS (continued)

(b) Expenses arising from share-based payment transactions

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

	Consolidated	
	2017	2016
	$	$
Options issued to directors*	56,261	130,000
Shares issued to director	-	40,000
Options issued to brokers**	132,500	-
	188,761	170,000

*28,931,825 options exercisable at $0.012 expiring 24 November 2019 were issued to the Directors following shareholder approval at the Annual General Meeting on 17 November 2017.
**25,000,000 options exercisable at $0.010 expiring 17 November 2021 were issued to brokers in relation to the Placement on the 25th September 2017. This amount has been offset against issued capital.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Group does not have any contingent assets or liabilities at reporting date other than those disclosed in the 2017 annual report.

NOTE 12: EVENTS OCCURING AFTER THE REPORTING PERIOD

Subsequent to the Period, Vital negotiated an extension to the option period under the Agreement with SUMMA. The period has been extended to 31 July 2018 giving Vital time to complete its work program over the Bouli project area. At the conclusion of the period Vital can elect to proceed or withdraw from the agreement.

Other than the above, there have been no other matters or circumstances which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2017, of the Company, or
(b) the results of those operations, or
(c) The state of affairs, in financial years subsequent to 31 December 2017, of the Company.

NOTE 13: RELATED PARTY TRANSACTIONS

28,931,825 options exercisable at $0.012 expiring 24 November 2019 were issued to the Mark Strizek following shareholder approval at the Annual General Meeting on 17 November 2017. The value of these share based payment transactions was $56,261 and is included in the disclosure in Note 10(b).

12,500,000 options exercisable at $0.010 expiring 17 November 2021 were issued to Blackwood Capital following shareholder approval at the Annual General Meeting on 17 November 2017. The value of these share based payment transactions was $66,250 and is included in the disclosure in Note 10. In addition to this, BlackWood Capital was paid $60,486 in cash brokerage fees for services associated with raising capital for the Company. Francis Harper is a director of Blackwood Capital.

NOTE 14: FINANCIAL INSTRUMENTS

The value of the Group's financial assets and liabilities will be impacted by changes in interest rates. At 31 December 2017, the carrying value of the financial assets and liabilities approximate their fair values.

The Group currently has one convertible note which is recorded at amortised cost. Fair value, which is determined for disclosure purposes, is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Given the short term nature of the convertible note, the Group considers that the carrying value per the Statement of Financial Position approximates the fair value.

There were no transfers between the levels of the fair value hierarchy during the period.

VITAL METALS LTD
31 DECEMBER 2017

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 11 to 22 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
2. as set out in Note 1, there are reasonable grounds to believe that Vital Metals Ltd will be able to pay its debts as and when they become due and payable.

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

David Macoboy
Chairman
Perth, 16 March 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Vital Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Vital Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth, 16 March 2018