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**VITAL METALS LTD**  
**ABN 32 112 032 596**  
**INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2016**

**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 2016 and any public announcements made by Vital Metals Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

**VITAL METALS LTD**

**31 DECEMBER 2016**

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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)

**Company Secretary**

Ian Hobson

**Registered Office and Principal Place of Business**

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**Share Register**

Automic Registry Services  
Level 1, 7 Ventnor Avenue  
WEST PERTH WA 6005  
Telephone: (08) 9324 2099  
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**Auditors**

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

**Internet Address**

[www.vitalmetals.com.au](http://www.vitalmetals.com.au)

**Stock Exchange Listing**

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

## VITAL METALS LTD

31 DECEMBER 2016

### 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 2016.

#### 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

#### REVIEW AND RESULTS OF OPERATIONS

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

	2016	
	Income	Results
	\$	\$
<i>Consolidated entity income and loss</i>	<u>8,509</u>	<u>(1,816,301)</u>

The Group's continued to undertake exploration activities at its gold and tungsten projects in Queensland and at the Doulnia Gold Project in southern Burkina Faso, West Africa.

During the half-year the Group raised \$1.5 million from the issue of shares in a placement and incurred a total of approximately \$1.58 million in exploration and evaluation expenditure in Australia and West Africa.

#### SUBSEQUENT EVENTS

There have been no significant events subsequent to the end of the half-year.

#### 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 4.

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



**David Macoboy**  
Chairman

Perth, 14 March 2017

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 2016, 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 and the entities it controlled during the period.



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 14 March 2017

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Note	Half-year	
		2016	2015
		\$	\$
<b>INCOME</b>			
Operator fee		-	6,948
Sundry income		1,364	8,865
Profit on sale of asset		-	8,000
Finance income		7,145	2,047
<b>TOTAL INCOME</b>		<b>8,509</b>	<b>25,860</b>
<b>EXPENSES</b>			
Share-based payments	9	(170,000)	(29,664)
Depreciation		(3,579)	(19,758)
Exploration expenses		(1,077,541)	(1,152)
Other administration expenses		(441,300)	(263,260)
Finance expenses		(132,391)	(186,660)
<b>TOTAL EXPENSES</b>		<b>(1,824,810)</b>	<b>(500,494)</b>
<b>LOSS BEFORE INCOME TAX</b>		<b>(1,816,301)</b>	<b>(474,636)</b>
Income tax benefit / (expense)		-	-
<b>NET LOSS FOR THE HALF-YEAR</b>		<b>(1,816,301)</b>	<b>(474,636)</b>
<b>OTHER COMPREHENSIVE INCOME / LOSS</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		(22,077)	2,452
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF VITAL METALS LTD</b>		<b>(1,838,378)</b>	<b>(472,184)</b>
Basic and diluted loss per share for the half year attributable to members of Vital Metals Ltd (cents)		(0.32)	(0.14)

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

VITAL METALS LTD

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	31 December 2016 \$	30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	526,939	1,388,368
Trade and other receivables	5	529,238	46,412
<b>TOTAL CURRENT ASSETS</b>		<b>1,056,177</b>	<b>1,434,780</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		27,748	30,379
Exploration and evaluation asset	6	7,521,536	7,017,417
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,549,284</b>	<b>7,047,796</b>
<b>TOTAL ASSETS</b>		<b>8,605,461</b>	<b>8,482,576</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		560,576	191,447
Provisions		35,014	28,527
Borrowings	7	3,012,063	3,000,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,607,654</b>	<b>3,219,974</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		400,000	400,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>400,000</b>	<b>400,000</b>
<b>TOTAL LIABILITIES</b>		<b>4,007,654</b>	<b>3,619,974</b>
<b>NET ASSETS</b>		<b>4,597,807</b>	<b>4,862,602</b>
<b>EQUITY</b>			
Contributed equity	8	42,787,668	41,344,085
Reserves	9	1,396,226	1,288,303
Accumulated Losses		(39,586,087)	(37,769,786)
<b>TOTAL EQUITY</b>		<b>4,597,807</b>	<b>4,862,602</b>

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

VITAL METALS LTD

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Contributed Equity \$	Share-Based Payment Reserve \$	Convertible Note Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$
<b>BALANCE AT 1 JULY 2015</b>	39,514,801	727,446	133,901	392,687	(36,613,744)	4,155,091
Loss for the half-year	-	-	-	-	(474,636)	(474,636)
OTHER COMPREHENSIVE INCOME/(LOSS)						
Exchange differences on translation of foreign operations	-	-	-	2,452	-	2,452
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	-	-	-	2,452	(474,636)	(472,184)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Issue of shares	421,141	-	-	-	-	421,141
Share issue transaction costs	(68,540)	-	-	-	-	(68,540)
Share based payments expense	28,936	29,664	-	-	-	58,600
<b>BALANCE AT 31 DECEMBER 2015</b>	<b>39,896,338</b>	<b>757,110</b>	<b>133,901</b>	<b>395,139</b>	<b>(37,088,380)</b>	<b>4,094,108</b>
<b>BALANCE AT 1 JULY 2016</b>	<b>41,344,085</b>	<b>757,110</b>	<b>133,901</b>	<b>397,292</b>	<b>(37,769,786)</b>	<b>4,862,602</b>
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)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	-	-	-	(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
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>42,787,668</b>	<b>887,110</b>	<b>133,901</b>	<b>375,215</b>	<b>(39,586,087)</b>	<b>4,597,807</b>

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

VITAL METALS LTD

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

	Half-year	
	2016	2015
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Other Receipts	1,364	15,813
Interest received	7,145	2,047
Payments for exploration and evaluation costs	(657,306)	-
Payments to suppliers and employees	(491,557)	(327,707)
<b>Net cash (outflow) from operating activities</b>	<b>(1,140,354)</b>	<b>(309,847)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on sale of plant and equipment	-	8,000
Purchase of property, plant and equipment	(947)	-
Proceeds from R&D tax incentive claim	-	321,407
Transfer to Macquarie interest off-set account	(436,684)	-
Proceeds from joint venture partner	-	138,966
Payments for capitalised exploration and evaluation costs	(566,699)	(547,960)
<b>Net cash (outflow) from investing activities</b>	<b>(1,004,330)</b>	<b>(79,587)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	32,372	31,878
Repayment of borrowings	(20,309)	(21,252)
Interest paid	(132,391)	(1,371)
Proceeds from issue of shares	1,513,271	421,141
Share issue costs	(109,688)	(42,628)
<b>Net cash inflow from financing activities</b>	<b>1,283,255</b>	<b>387,768</b>
Net increase/(decrease) in cash and cash equivalents	(861,429)	(1,666)
Cash and cash equivalents at the beginning of the half-year	1,388,368	413,062
Effects of exchange rate changes on cash and cash equivalents	-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>526,939</b>	<b>411,396</b>

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



## VITAL METALS LTD

31 DECEMBER 2016

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 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 2016 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 2016 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 2016. This consolidated interim financial report was approved by the Board of Directors on 14 March 2017.

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.

#### **New policies, revised or amending Accounting Standards and Interpretations adopted**

In the half-year ended 31 December 2016, 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 2016.

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 2016. 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 2016, the Group incurred a loss of \$1,816,301 and incurred net cash outflow from operations of \$1,140,354 and net cash outflows from investing activities of \$1,004,330. At 31 December 2016 the balance of the Macquarie convertible debt facility was \$3,000,000, this facility expires on 30 June 2017 and available cash was \$526,939. The ability of the entity to continue as a going concern is dependent on securing additional funding through raising additional capital 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 2016 to operate within available cash resources.

# VITAL METALS LTD

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## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 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 advanced 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.

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 2016.

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 Burkina Faso.

	Australia	Burkina Faso	Consolidated
	\$	\$	Total \$
<b>Half-year 2016</b>			
Segment revenue	8,509	-	8,509
Reconciliation of segment revenue to total revenue before tax:			
Other income			1,364
Interest revenue			7,145
Total revenue			8,509
Segment result	(1,078,407)	(737,894)	(1,816,301)
Reconciliation of segment result to net loss before tax:			
Depreciation			(3,579)
Finance expenses			(132,391)
Exploration expenses	-	(1,077,541)	(1,077,541)
Other corporate and administration			(611,299)
Net loss before tax			(1,816,301)

VITAL METALS LTD

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 3: SEGMENT INFORMATION (Continued)

At 31 December 2016

Segment operating assets	7,521,536	34,045	7,555,581
Reconciliation of segment operating assets to total assets:			
Cash and cash equivalents			506,576
Receivables			515,557
Property, plant & equipment (head office)			27,747
Total assets			8,605,461
Segment operating liabilities	70,099	11,126	81,225
Reconciliation of segment operating liabilities to total liabilities:			
Payables and provisions (head office)			914,366
Borrowings (head office)			3,012,063
Total liabilities			4,007,654

	Australia \$	Burkina Faso \$	Consolidated Total \$
<b>Half-year 2015</b>			
Segment revenue	6,948	-	6,948
Reconciliation of segment revenue to total revenue before tax:			
Other income			8,865
Profit on sale of asset			8,000
Interest revenue			2,047
Total revenue			25,860
Segment result	(458,320)	(16,316)	(474,636)
Reconciliation of segment result to net loss before tax:			
Depreciation			(19,758)
Finance expenses			(186,660)
Other corporate and administration			(294,076)
Net loss before tax			(474,636)

Segment assets at 30 June 2016

Segment operating assets	7,070,565	22,510	7,093,075
Reconciliation of segment operating assets to total assets:			
Cash and cash equivalents (head office)			1,365,858
Receivables (head office)			16,500
Property, plant & equipment (head office)			7,143
Total assets			8,482,576

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 3: SEGMENT INFORMATION (Continued)

Segment operating liabilities	474,459	23,357	497,816
<hr/>			
Reconciliation of segment operating liabilities to total liabilities:			
Payables and provisions (head office)			122,158
Borrowings (head office)			3,000,000
Total liabilities			<u>3,619,974</u>

NOTE 4: CASH AND CASH EQUIVALENTS

	31 December 2016	30 June 2016
	\$	\$
Cash at bank and on hand	59,335	1,369,618
Short-term deposits	467,604	18,750
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	<u>526,939</u>	<u>1,388,368</u>

NOTE 5: RECEIVABLES

	31 December 2016	30 June 2016
	\$	\$
Security deposits	24,500	24,500
Prepayments	20,920	1,757
Other receivables	47,134	20,155
Macquarie interest off-set accounts*	436,684	-
Total	<u>529,238</u>	<u>46,412</u>

**Restricted Funds**

\*In accordance with the terms of the \$3 million debt facility with Macquarie Bank Limited set out in note 9, a minimum of \$400,000 is held in an interest off-set account that is restricted to being utilised for Macquarie Bank interest and debt reduction only.

NOTE 6: EXPLORATION AND EVALUATION ASSET

	31 December 2016	30 June 2016
	\$	\$
Opening balance	7,017,417	7,093,240
Exploration expenditure	504,119	761,262
Exploration expenditure – written off	-	(92,211)
Joint venture partner contributions	-	(138,966)
R&D tax incentive claim	-	(605,908)
Closing balance	<u>7,521,536</u>	<u>7,017,417</u>

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.

VITAL METALS LTD

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 7: BORROWINGS

Bank facility – Macquarie	3,000,000	3,000,000
Premium funding facility	12,063	-
	<b>3,012,063</b>	<b>3,000,000</b>

The Group renewed the \$3 million debt facility with Macquarie Bank Limited on 4 July 2016 to 30 June 2017. In accordance with the terms of the amended facility, Macquarie was previously issued with 68,181,818 options with an exercise price of 4.4 cents and expiring on 30 June 2017, which if exercised will extinguish the debt. Macquarie has the option to exercise all or part of the options during the term of the facility.

The loan facility is repayable by 30 June 2017 with an interest rate of 7% over the bank bill swap rate. The facility is secured by a general security over all of the assets of Vital Metals Limited and its subsidiary, North Queensland Tungsten Pty Ltd. Total assets pledged as security as at 31 December 2016: \$7,521,536. A gross revenue royalty of 1.5% on production from the Watershed Tungsten Project is payable to Macquarie Bank Limited.

Accounting standards require the separate recognition of the debt and equity components of the Convertible Loan Facility. At the date of recognition of the new convertible note, the debt and equity components of the facility were separated according to their fair values. The liability component is subsequently recorded at amortised cost. The liability for the 1.5% royalty has been assessed as being valued at nil at both 4 July and balance date due to the early stage of the project. The fair value of the royalty will be reassessed at each reporting period.

NOTE 8: CHANGES IN EQUITY SECURITIES ON ISSUE

Movements in shares on issue during the half year	Number of Shares	\$
Beginning of the half year	418,070,861	41,344,085
Issued during the half year:		
– Rights issue shortfall 7 July 2016	43,100,877	474,110
– Director placement 26 July 2016	1,132,821	12,461
– Placement 17 August 2016	68,446,667	1,026,700
– Placement in lieu of director fees	2,000,000	40,000
Less: Transaction costs	-	(109,688)
<b>End of the half year</b>	<b>595,751,226</b>	<b>42,787,668</b>

Movements in options on issue during the half year

	Options
Beginning of the half year	91,083,640
<b>Issued during the half year:</b>	
– Exercisable at 2.7 cents and expiring 25 November 2018	14,096,763
<b>Lapsed during the half year:</b>	
– Exercisable at 4.2 cents and expiring 26 November 2016	(9,788,658)
– Exercisable at 5.9 cents and expiring 26 November 2016	(3,426,031)
<b>End of the half year</b>	<b>91,965,714</b>

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 9: 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 2016		31 December 2015	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the half year	91,083,640	4.3	79,710,114	5.0
<b>Employees:</b>				
Granted	14,096,763	2.7	9,687,133	4.0
Forfeited	(13,214,689)	4.2	(7,087,104)	5.9
<b>Macquarie:</b>				
Granted	-		68,181,818	4.4
Forfeited	-		(58,823,529)	5.1
Outstanding at half year-end	91,965,714	4.1	91,668,432	4.3
Exercisable at half year-end	91,965,714	4.1	91,668,432	4.3

The weighted average remaining contractual life of share options outstanding at the end of the half year was 0.75 years (2015: 1.45 years), and the exercise price ranges from 2.7 to 4.3 cents.

The weighted average fair value of options granted during the half year was 0.92 cents (2015: 0.3 cent). The price was calculated by using a black-scholes pricing model applying the following inputs.

	2016	2015
Weighted average exercise price (cents)	2.7	4.0
Weighted average life of the option (years)	2.0	2.0
Expected share price volatility	100%	100%
Weighted average risk free interest rate	1.95%	2.66%

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

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

**(b) Expenses arising from share-based payment transactions**

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

	Consolidated	
	2016	2015
	\$	\$
Options issued to directors*	130,000	29,664
Shares issued to director*	40,000	-
	170,000	29,664

\*14,096,763 options exercisable at \$0.027 expiring 25 November 2018 and 2,000,000 ordinary shares were issued to the Directors following shareholder approval at the Annual General Meeting on 25 November 2016.

## VITAL METALS LTD

31 DECEMBER 2016

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### NOTE 10: COMMITMENTS AND CONTINGENCIES

The Group has cash deposits totalling \$43,250 (\$43,250 as at 30 June 2016) securing obligations in favour of the Group's landlord and the Department of Mines & Petroleum which are expected to be discharged in the normal course of operations.

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

#### NOTE 11: EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no significant events subsequent to the end of the half-year.

#### NOTE 12: RELATED PARTY TRANSACTIONS

14,096,763 options exercisable at \$0.027 expiring 25 November 2018 and 2,000,000 ordinary shares were issued to the Directors following shareholder approval at the Annual General Meeting on 25 November 2016. The value of these share based payment transactions was \$170,000 and is included in the disclosure in Note 10(b).

#### NOTE 13: FINANCIAL INSTRUMENTS

The value of the Group's financial assets and liabilities will be impacted by changes in interest rates. At 31 December 2016, 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 2016**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 15 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 2016 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, 14 March 2017



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Vital Metals Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vital Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### 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 consolidated entity's financial position as at 31 December 2016 and its 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 Vital Metals Limited, 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 Vital Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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## Conclusion

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 Vital Metals Limited is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and 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 consolidated entity's ability to continue as a going concern and therefore the consolidated entity 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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, consisting of the letters 'BDO' above the name 'J Prue'.

Jarrad Prue

Director

Perth, 14 March 2017