

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Vital Metals Limited (ASX: VML) is pleased to report on its activities during the September 2017 Quarter at its projects in Far North Queensland and West Africa.

HIGHLIGHTS

- Strengthened outlook for development of Watershed Tungsten Project, Queensland:
 - Metallurgical results confirmed optimisation of feed size to Density Media Separation should improve efficiencies and recoveries
 - Vital has identified important Capex and Opex savings since 2014 DFS completion
 - Tungsten prices increased 50% over past 12 months to reach a high of US\$335/mtu APT due to increased demand and some reduction in supply. Whilst prices have now settled back to around US\$285/mtu APT a new pricing plateau has been established
 - Work being progressed on updating the resource estimate, optimising process flow sheet, updating capital and operating costs and optimising mining schedule
 - Watershed Tungsten Project now presents an outstanding, development-ready opportunity
- Nahouri exploration permit (formerly known as Doulnia) granted in Burkina Faso, West Africa provides long term tenure for the project:
 - New gold targets identified at the Nahouri gold project (as announced 31 August):
 - A 4km long by 1.5km wide north-south corridor defined at Tangassogo, auger grades up to 3.5 g/t Au
 - A 4km long west-north-west trending corridor defined northeast of Boungou South, auger grades up to 1.1 g/t Au
- Exploration Agreement signed with SUMMA on three highly prospective gold permits in a subsidiary in Niger, West Africa
 - Advanced exploration completed by SUMMA on several prospects with high-grade gold intercepts returned from limited diamond drilling in 2017
 - Vital to spend US\$1M spend over six months. Vital can then elect to either withdraw or proceed to earn a total 50% interest in the holding company by sole funding exploration over 2 years
 - Drilling proposed for the Bella Tondi prospect which previously had intensive hard rock artisanal activity with up to 20,000 miners working over a strike length of 1.5km

CORPORATE

- \$2 million raised to accelerate development of Watershed Tungsten Project and continue Burkina Faso exploration.

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The below activities have all been released to ASX during the quarter, and summarised as follows:

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

Vital's 100%-owned Watershed Tungsten Project is 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.

Watershed has been granted Mining Leases and Environmental Authority for an open-pit development. Vital completed a DFS in 2014 and since that time, Vital has continued to optimise the engineering and advanced testwork to increase recoveries. Some of this work has included flotation optimisation with GZRINM in China and gravity optimisation of spirals and Dense Media Separation (DMS) in Australia.

In September, Vital reported improved metallurgical results optimisation of the feed size to DMS which increased both efficiencies as well as recoveries. DMS test work performed by NAGROM in Perth on diamond core from Watershed confirmed the effectiveness of DMS on -3.35mm material to take a high-grade feed forward to flotation. Vital estimates this may increase overall recovery from around 74% to 77% WO₃.

Furthermore, significant opportunities have been identified to achieve savings in both Capex and Opex compared to the 2014 study:

Capex

- Civil earthworks optimisation
- Reduced concrete costs
- Improve plant layout
- Signification reduction in labour rates and direct construction costs
- Flowsheet optimisation identified savings in
 - Ore sorting
 - DMS separation
 - Spiral circuit
 - Flotation

Opex

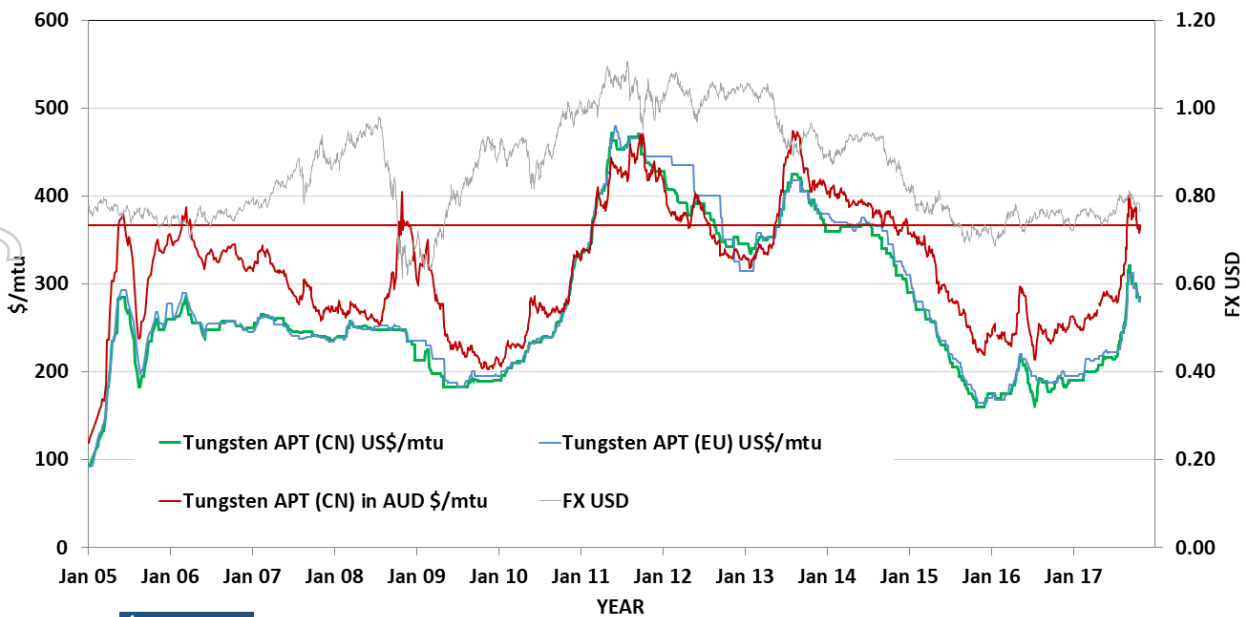
- Fuel and energy cost reductions
- Positive changes in salary and wages
- Optimisation of staffing levels
- Flowsheet optimisation
 - Ore sorting
 - DMS separation
 - Spiral circuit
 - Flotation
- Mine optimisation
 - Drill and blast
 - Load and haul
 - Visual nature of ore.

The focus on improving the bottom line has positioned Watershed well for development as it demonstrates attractive financial returns at both current and forecast financial scenarios.

From a financing perspective, the Watershed Tungsten Project presents a positive, development-ready opportunity. It is fully permitted with all landowner and Indigenous agreements in place in a Tier 1 jurisdiction.

As per the original DFS, The Project's short payback period and low breakeven price makes the project a good candidate for a range of funding alternatives.

Release of metallurgical results followed increased tungsten prices, which have risen by approximately 45-50% in the past 12 months to reach a high of US\$335/mtu APT (above the 10-year average price) due to increased end user demand and reduced supply. In Australian dollar terms the price is now A\$366/mtu at the current exchange rate.



Tungsten metals and composites have outstanding properties, being very hard, very tough, heat-resistant and are indispensable in the automotive industry; industrial engineering; mining and road construction; aviation and space; energy, oil and gas; health; agriculture; and defence industries.

Demand for tungsten is increasing year on year as world GDP continues to increase, while on the supply side, Chinese authorities have been active in closing polluting mines and refiners following the enforcement of environmental and safety regulations.

Funds raised in a \$1.98m placement in September will enable Vital to continue development and optimisation of Watershed with work planned including an update of the mineral resource estimate, ongoing metallurgical test work to optimise the process flow sheet, updating the capital and operating costs post the 2014 DFS; and optimising the mining schedule.

Nahouri Gold Project, Burkina Faso

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

During the quarter, Vital reported results from a regional auger program that identified two new targets.

Tangassogo

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

Boungou South

A 4km west-northwest trending auger anomaly with peak auger grades of up to 1.1g/t Au was located north-east of the Boungou South gold prospect, which has returned previous RC drill results of 8m @ 9.3 g/t Au from 56m, 9m @ 3.6 g/t Au from 39m, 20m @ 1.5 g/t Au from 16m and 5m @ 3.2 g/t Au from 22m.

This prospective corridor is associated with a structural feature interpreted from aeromagnetic data. Vital is planning infill auger drilling.

Kollo South

Vital completed 723m of diamond drilling at Kollo South with a truck-mounted diamond drill rig (two diamond holes and two diamond tails). Core drilling intersected potential ore grade zinc mineralisation with sphalerite mineralisation noted in most of the drill core recovered. The sphalerite is honey coloured and has been observed as disseminated, stringer and occasionally massive style intervals.

Hole KDD008 was extended from 167m to 387m (which is the deepest hole drilled at Kollo South) to test for gold mineralisation around 180m below high-grade gold intercepts in KRC303. The drill-hole hit the target structure with the core intersecting several intensely sheared, altered, highly silicified intervals with abundant sulphides, with zinc mineralisation being dominant.

Exploration drilling at Kollo South previously intersected high value gold including 13m at 9.0 g/t Au from 174 including 2m at 46.2 g/t Au, 17m at 6.0 g/t Au from 114m including 2m at 30.5 g/t Au and 17m @ 3.34 g/t Au from 145m.

The latest drilling demonstrated that the geometry of the gold mineralisation is complex and the interplay with zinc mineralised is not fully understood. Further drilling will be required to map out both mineralised systems.

Results from six RC holes drilled to test for a repetition of the sheared marker unit on the western side of a north-south trending fault returned:

- 4m @ 3.7 g/t Au from 40m
- 2m @ 6.6 g/t Au from 70m
- 2m @ 2.3 g/t Au from 22m
- 2m @ 1.5 g/t Au from 18m

Kollo Hill

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

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

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

Drilling results are being interpreted and will be used to determine the next steps.

Zinc prospects, Burkina Faso

Vital's drilling at Kollo demonstrated high-grade gold mineralisation sitting within a large zinc VMS mineralised trend, known as Loubel, part of a large zinc VMS system which wraps around the Tiebele dome.

Historical exploration work has defined multiple Zn-Pb-Cu anomalies over 30km of lightly explored contact. Previous drill holes only tested depleted oxide zone or shallow mineralisation and there are several prospective zinc VMS-style targets with potential for discovery of a large zinc deposit with more drill testing or in areas where mineralisation has not been closed off.

Airborne geophysics program

A 2,688-line km Heli-mag survey was completed on Zeko permit to acquire magnetic and radiometric data. This data has been processed and incorporated into our structural model to assist drill target delineation.

Bouli Gold Project, Niger

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

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

Work is most advanced on the Bouli permit where exploration drilling has intersected bedrock gold mineralisation at three prospects: Petit Druirkou, Burke Burke and Issa.

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

Agreement Terms

- 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

SUMMA have completed advanced exploration on several prospects with high-grade gold intercepts returned from limited diamond drilling in 2017 including:

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

Planned Work

Vital plans to drill on the Bouli permit; an initial 3,000m RC drill program over 100m spaced sections under artisanal working to test the Bella Tondi prospect. RC drilling is also planned to follow up the high-grade gold results at Burke Burke and Petit Druirkou prospects.

Modern airborne geophysics will also be acquired for the Bouli and Tringui-3 permits which will provide structural information to fast-track drill target delineation. This initial work program will allow Vital to test the potential of the permits to host a million-ounce gold resource and if successful give the confidence to move to the next stage to earn a 50% interest.

CORPORATE

In September, Vital raised \$1.98M through a heavily oversubscribed share placement to optimise the Watershed Tungsten Project and continue gold exploration on its highly prospective Burkina Faso tenements.

Argonaut and Blackwood Capital acted as joint lead managers for the Placement which issued 263,938,807 New Shares to raise \$1.98M, before costs, at a price of \$0.0075 per New Share. Shares issued under the Placement were pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1 (158,362,684 shares) and 10% placement capacity under ASX Listing Rule 7.1A (105,575,123).

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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 of 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 undertaken 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.

Forward looking statements

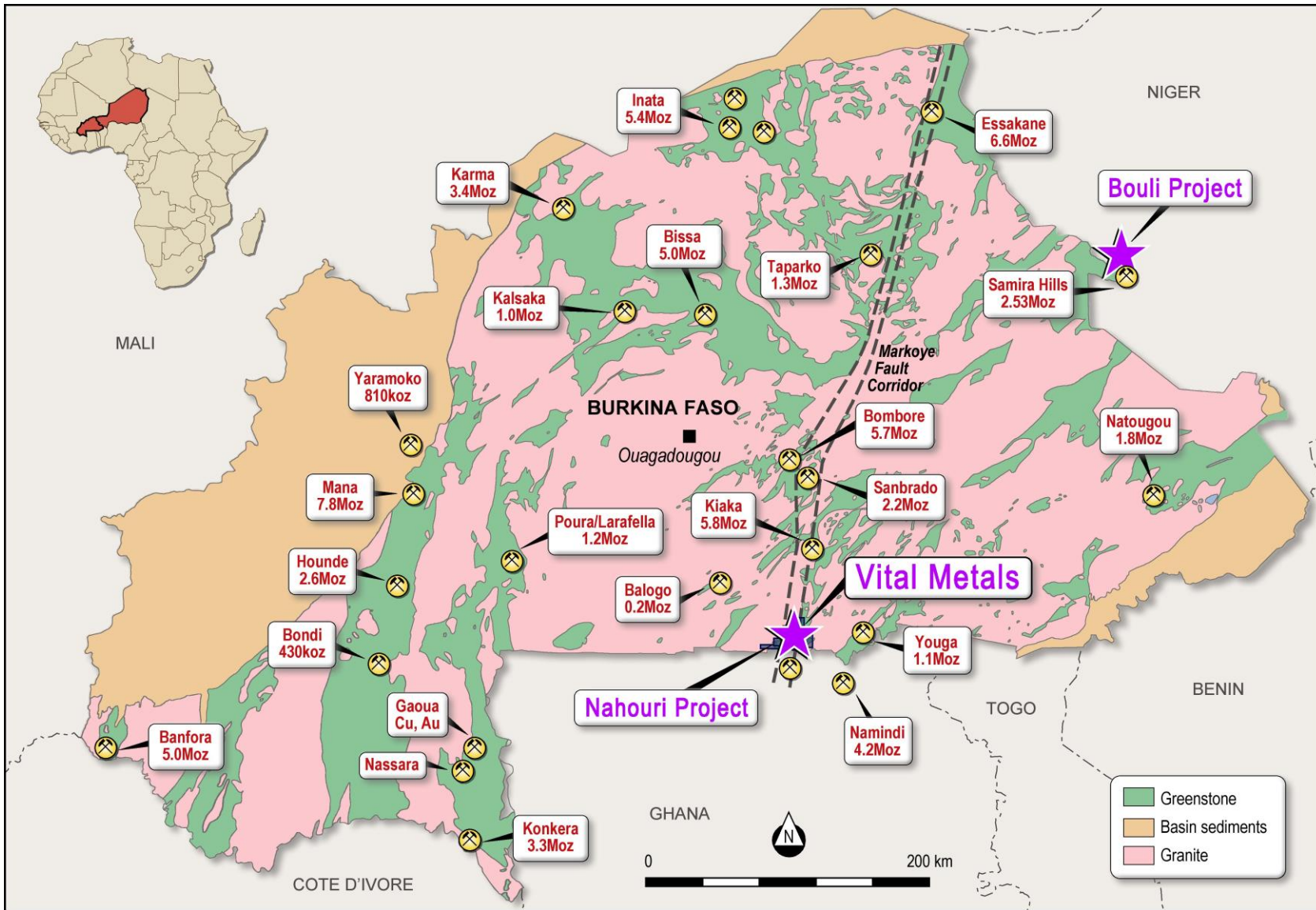
Certain written statements contained or incorporated by reference in this new release, including information as to the future financial or operating performance of the Company and its projects, constitute forward-looking statements. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements.

Forward-looking statements include, among other things, statements regarding targets, estimates and assumptions in respect of tungsten, gold or other metal production and prices, operating costs and results, capital expenditures, mineral reserves and mineral resources and anticipated grades and recovery rates. Forward-looking statements are necessarily based upon a number of estimates and assumptions related to future business, economic, market, political, social and other conditions that, while considered reasonable by the Company, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.

Such factors include, but are not limited to: competition; mineral prices; ability to meet additional funding requirements; exploration, development and operating risks; uninsurable risks; uncertainties inherent in ore reserve and resource estimates; dependence on third party smelting facilities; factors associated with foreign operations and related regulatory risks; environmental regulation and liability; currency risks; effects of inflation on results of operations; factors relating to title to properties; native title and aboriginal heritage issues; dependence on key personnel; and share price volatility and also include unanticipated and unusual events, many of which are beyond the Company's ability to control or predict.

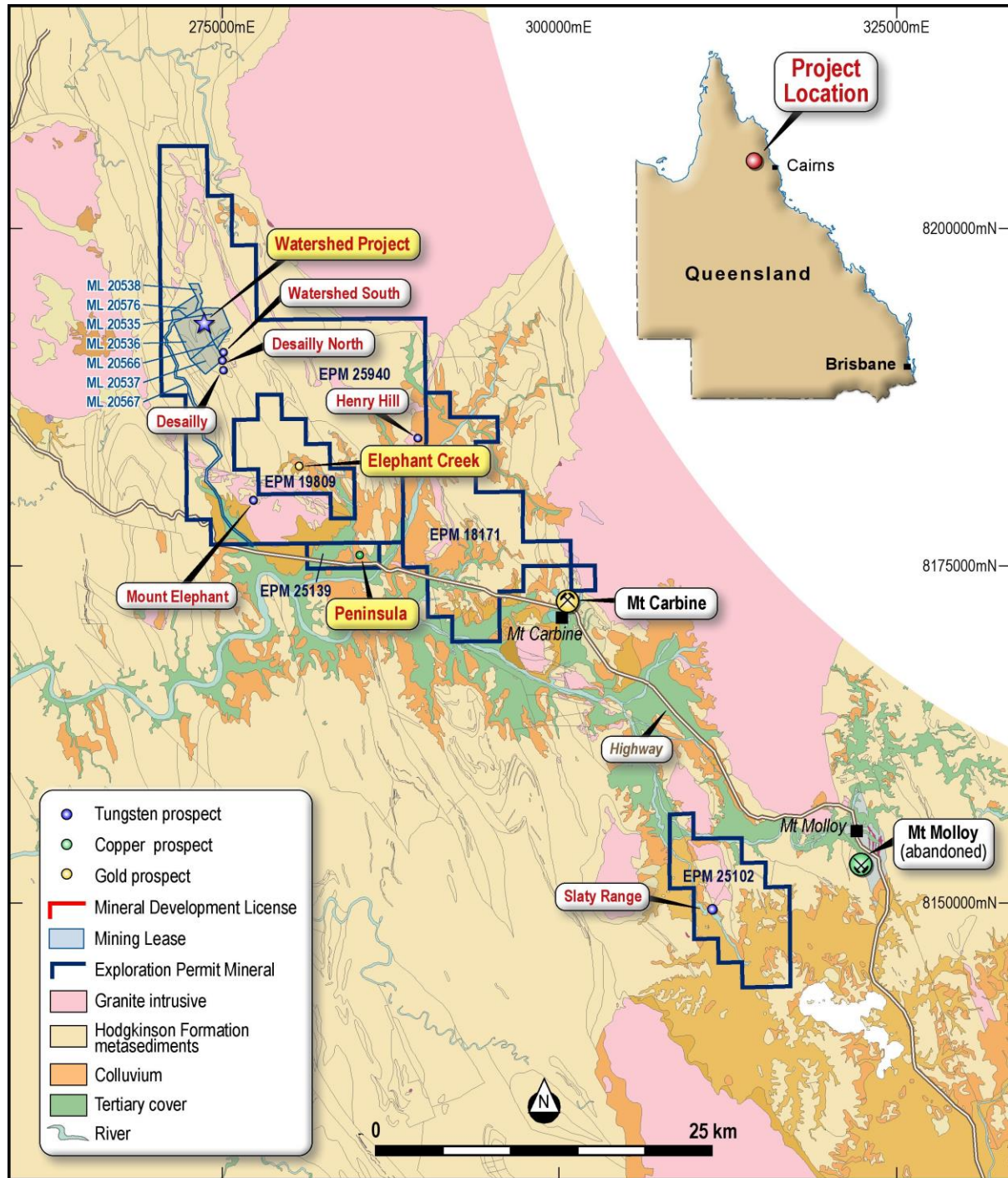
For further information, please see the Company's most recent annual financial statement, a copy of which can be obtained from the Company on request or at the Company's website: www.vitalmetals.com.au. The Company disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. All forward-looking statements made in this new release are qualified by the foregoing cautionary statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and, accordingly, not to put undue reliance on such statements.

Figure 1: West Africa Project Location Plan



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Figure 2: North Queensland Project Location Plan



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ABOUT VITAL METALS

Vital Metals Limited (**ASX: VML**) is an explorer and developer, focused on progressing highly prospective mineral projects and prospects: in West Africa, Vital is actively exploring for gold at its Nahouri gold project, in Burkina Faso and the Bouli gold project in Niger. The company also has the development ready Watershed Tungsten Project is located in far North Queensland, Australia and the Aue Tungsten Project in Saxony, Germany.

Watershed Tungsten Project – Queensland

The Watershed scheelite (calcium tungstate) Project, in far north Queensland, 150 kilometres north-west of Cairns, is the Company's flagship venture. The Watershed Tungsten Project is a development-ready project that has a completed Definitive Feasibility Study (DFS), is fully permitted and has all landowner and Indigenous agreements in place.

Aue Tungsten Project – Germany

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

Nahouri Gold Project – Burkina Faso

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

Bouli Gold Project – Niger

The Bouli Gold Project (earning up to 50% Vital) is located in Western Niger on the border with Burkina Faso. The Project is made up of three permits; two permits, Bouli and Tringui-3, are located 20km north of the Samira Hill gold 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.

Vital Metals Limited

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Board & Management

David Macoboy
Chairman

Mark Strizek
CEO and Managing Director

Peter Cordin
Non-Executive Director

Andrew Simpson
Non-Executive Director

Francis Harper
Non-Executive Director

Ian Hobson
Company Secretary

Capital Structure

1,300 million shares

187 million unlisted options

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Table 1. Tenement Summary

Location	Tenement	Percentage held at the beginning and end of the Quarter
Burkina Faso	Doulnia	100%
	Kampala	100%
	Zeko	100%
Germany	Aue	100%
Watershed	EPM 25102	100%
	MDL127	100% at start and 0% at end of the Quarter - Licence was surrendered during the quarter
	EPM 18171	100%
	EPM 19809	100%
	EPM 25139	100%
	EPM 25940	100%
	ML 20535	100%
	ML 20536	100%
	ML 20537	100%
	ML 20538	100%
	ML 20566	100%
	ML 20567	100%
	ML 20576	100%

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