

## **QUARTERLY REPORT**

### **FOR THE PERIOD ENDED 31 MARCH 2018**

Vital Metals Limited (ASX: VML) is pleased to report on its activities during the March 2018 Quarter at its projects in West Africa and Far North Queensland.

#### **HIGHLIGHTS**

##### **EXPLORATION**

###### **Bouli Gold Project, Niger**

- Visible gold panned from RC chips at Bella Tondi prospect
- Ultra-high grade intercept of **4m @ 157g/t Au** reported from RC drilling at Bella Tondi as high-grade gold zone emerges
- Vital to aggressively target along strike, down-dip and down-plunge extensions at Bella Tondi to identify more high-grade shoots
- Diamond drill mobilising to test high-grade zone at Bella Tondi

##### **DEVELOPMENT**

- Independent review confirms lower Capex for Watershed Tungsten Project, Qld
- Discussions continuing with potential off-take partners.

##### **CORPORATE**

- Vital raises \$3.8 million to advance gold and tungsten projects.

###### **Bouli Gold Project, Niger**

Vital commenced a 3,000m reverse circulation (RC) drill program at the Bella Tondi prospect, part of the Bouli Gold Project in Niger, West Africa, during December 2017.

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 intrusive and volcanoclastics and has seen extensive hard rock artisanal mining with over 20,000 miners working over a 1.5km strike length.

Vital reported an ultra-high grade intercept of **4m @157 g/t Au** from 76m in hole BTRC040 associated with the emerging high grade southern zone at Bella Tondi which now appears to extend for at least 200 metres. Other results include<sup>1</sup>:

- **BTRC040: 10m @ 63.5 g/t Au from 74m incl. 4m @ 157 g/t Au from 76m**
- **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**
- **BTRC022B: 2m @ 13.1 g/t Au from 83m**

<sup>1</sup> Reported previously 8/03/2018 and 22/03/2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements.

- **BTRC026: 8m @ 2.9 g/t Au from 46m**
- **BTRC041: 2m @ 9.9 g/t Au from 64m**
- **BTRC035: 4m @ 3.3 g/t Au from 44m**
- **BTRC016: 10m @ 1.0 g/t Au from 22m**
- **BTRC037: 2m @ 4.7 g/t Au from 40m**
- **BTRC008: 2m @ 3.5 g/t Au from 18m**
- **BTRC009: 6m @ 1.1 g/t Au from 8m**
- **BTRC013: 4m @ 1.4 g/t Au from 6m**
- **BTRC008: 2m @ 3.4 g/t Au from 40m**

At Bella Tondi, RC drilling has intersected multiple voids down hole, which are thought to represent where higher grade material has been mined by an estimated 20,000 artisanal workers over a 12-month period.

RC drill fences are spaced at a nominal 100m over the 1.5km strike length of workings. The drilling to date has been shallow, with the deepest intercepts reported below artisanal workings between 50m and 90m below surface and gold mineralisation remains open at depth and along strike.

Post quarter-end, Vital reported further results from Bella Tondi which identified more high-grade gold. They included<sup>2</sup>:

- **BTRC047: 20m @ 5.79 g/t Au from 100m including 2m @ 48.4 g/t Au from 102m, ending in mineralisation**
- **BTRC043: 8m @ 1.2 g/t Au from 12m**
- **BTRC045: 2m @ 2.4 g/t Au from 74m**
- **BTRC048: 6m @ 1.9 g/t Au from 52m**

Vital is planning more drilling at Bella Tondi to test the depth and strike potential of the high-grade shoots identified to date. A diamond drill rig will be used to target mineralisation down to 200m below surface and this rig is expected to arrive on site in the next quarter.

At the Petit Druirkou prospect, Vital reported results which intersected thick envelopes of gold mineralisation from seven RC holes drilled to test structural mineralisation and RAB anomalies.

PDRC003 intersected **13m @ 1.6 g/t Au** from 38m, part of a broader envelope of 27m @ 0.9 g/t Au from 24m. Higher grade intercepts from the RC holes included<sup>3</sup>:

- **PDRC003: 13m @ 1.6 g/t Au from 38m**
- **PDRC007: 6m @ 1.2 g/t Au from 0m**
- **PDRC002: 2m @ 2.0 g/t Au from 132m**

There is a good correlation between the new RC drilling and the previous diamond drilling, with PDRC003 reporting 13m @ 1.6g/t Au from 38m compared to BDD031, located 40m north, which

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<sup>2</sup> Reported previously 10/04/2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements.

<sup>3</sup> Reported previously 10/04/2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements.

reported 10m @ 1.67 g/t Au from 31m. Vital will need to undertake further exploration to assess the potential of gold mineralisation at Petit Druirkou.

### **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.

An independent review of the project by Corporate Mining Resources (CMR) to update the estimated capital costs of the project has improved project economics, compared to the Definitive Feasibility Study completed for the project in 2014.

CMR's cost estimate considered proposed modifications to the plant design, layout, site access, electricity, accommodation and mining capital that Vital and its consultants have developed since the 2014 DFS.

CMR estimated the project Capex to be A\$105.8M, a 38.5% reduction of the previous estimate of \$172M. This estimate has been supported by two EPC contractors, who confirmed the process plant cost estimate based on current exchange rates, unit costs availability of suppliers and contractor work book scopes, and the plant construction market.

With this updated estimate complete, Vital is continuing discussions with potential off-take partners.

In the meantime, global tungsten prices continue to increase, with a new plateau of APT European US\$320 established over the current quarter. As per previous reports, this continues to add important value to the Watershed project.

### **Aue Cobalt Project, Germany (Vital 100%)**

During the quarter, Vital announced it would initiate exploration at its Aue permit in Saxony, Germany, with a program of field mapping and geochemical sampling which will start in the next quarter.

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

Vital acquired the project in 2015 for its tungsten prospectivity, with tungsten having been mined at Zschorlau in the western part of the permit area from quartz-wolframite veins between 1917 and 1959.

Previous East German exploration at Aue focused on uranium and tungsten, and the permit has not been explored for cobalt using modern exploration making it a very attractive cobalt play.

## CORPORATE

### Placement

During the quarter, Vital successfully received commitments for a two-tranche placement to raise up to \$3.8 million through the issue of 422.2 million fully paid ordinary shares to sophisticated and institutional investors at an issue price of \$0.009 per share.

The Placement will be completed in two tranches as follows:

- 329.9 million New Shares were issued on 6 April 2018 under Vital's existing placement capacity under ASX Listing Rules 7.1 and 7.1A (Tranche 1); and
- Up to 92.29 million New Shares will be issued subject to and immediately following receipt of shareholder approval at a General Meeting (Tranche 2). A notice of general meeting will be sent to shareholders shortly.

A Director of Vital plans to participate in the Placement by subscribing for a total of approximately 11.1 million New Shares, subject to the necessary approvals.

Vital will use the funds raised in the Placement to accelerate exploration of the high-grade Bouli Gold Project and progress the Watershed Tungsten Project in Queensland.

Blackwood Capital and Argonaut were Joint Lead Managers of the placement. Vital will seek shareholder approval to issue up to 30 million broker options exercisable at 1.5¢, expiring four years from the date of issue.

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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](http://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.

## ABOUT VITAL METALS

Vital Metals Limited (ASX:VML) is an explorer and developer holding a portfolio of technology metals, gold and base metals. Our projects range from shovel ready development to advanced exploration across a range of jurisdictions in Australia, West Africa and 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 development-ready having a completed Definitive Feasibility Study (DFS), is fully permitted and has all landowner and Indigenous agreements in place.

### 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, 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 is a portfolio of three highly prospective gold permits in Niger, West Africa covering 4,289km<sup>2</sup> held by a subsidiary of SUMMA (a private Turkish company). Vital is working to earn interest in the project via the funding of an exploration work program.

### Aue Project – Germany

The Aue 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 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 cobalt, tungsten, tin, uranium and silver mineralisation.

### 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

Matt Foy  
Company Secretary

### Capital Structure

1,649 million shares

231 million unlisted options

Appendix A - Schedule of Tenements as at 31 March 2018

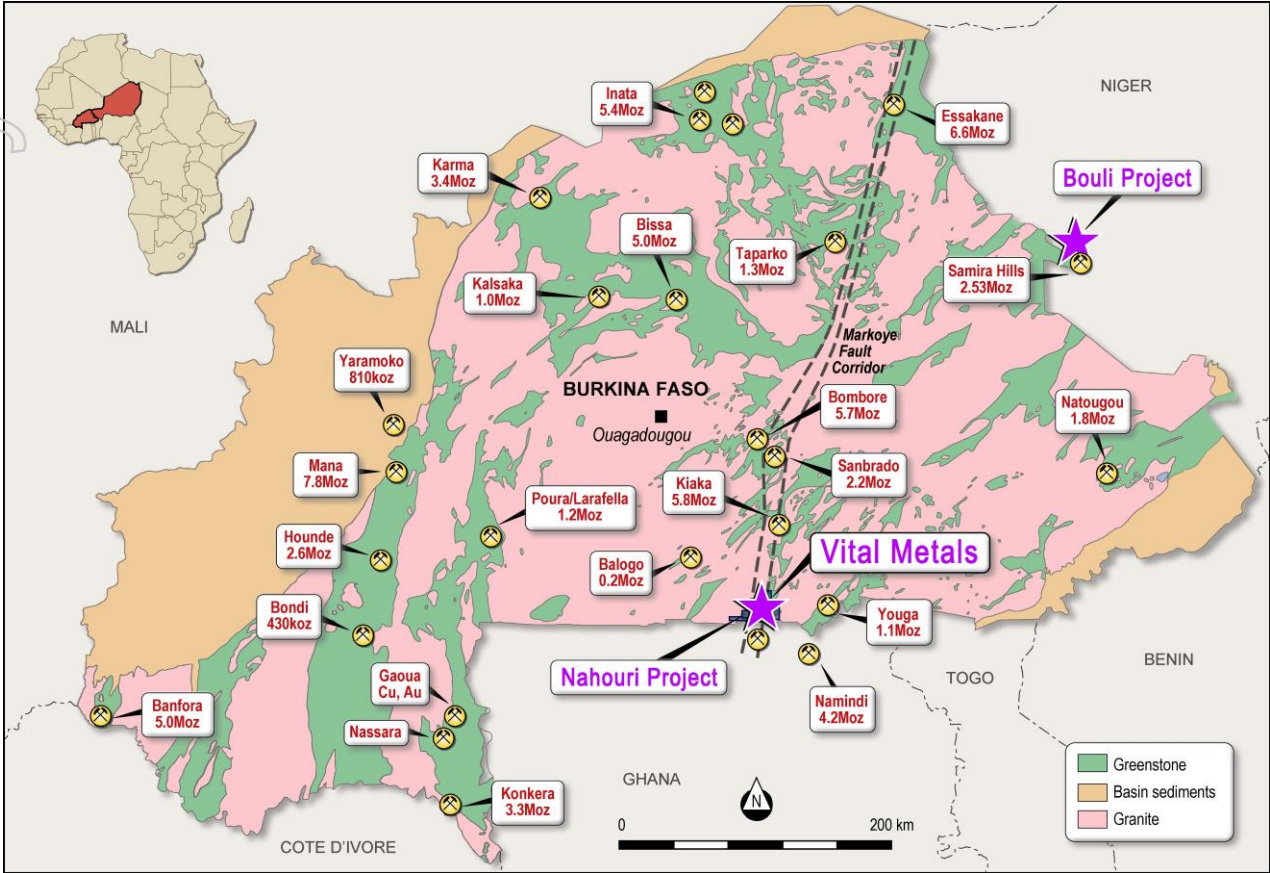
Location	Tenement	Status	Interest at beginning of quarter	Interest acquired or disposed	Interest at end of quarter
Burkina Faso	Nahouri	100%	0%	100%	100%
	Kampala	100%	100%	0%	100%
	Zeko	100%	100%	0%	100%
Germany	Aue	100%	100%	0%	100%
Watershed Queensland Australia	EPM 18171	100%	100%	0%	100%
	EPM 19809	100%	100%	0%	100%
	EPM 25102	100%	100%	0%	100%
	EPM 25139	100%	100%	0%	100%
	EPM 25940	100%	100%	0%	100%
	ML 20535	100%	100%	0%	100%
	ML 20536	100%	100%	0%	100%
	ML 20537	100%	100%	0%	100%
	ML 20538	100%	100%	0%	100%
	ML 20566	100%	100%	0%	100%
	ML 20567	100%	100%	0%	100%
	ML 20576	100%	100%	0%	100%

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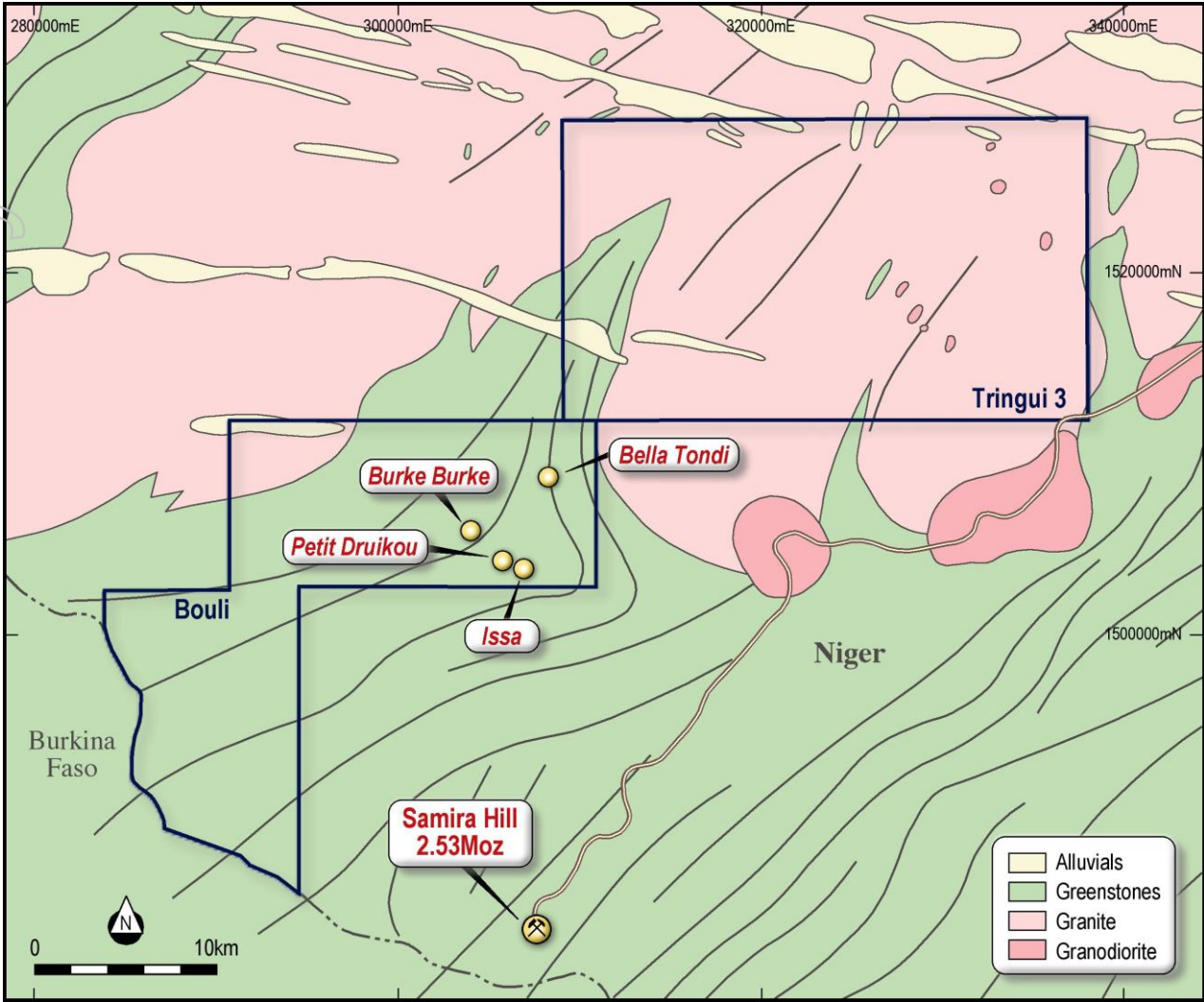
Appendix B – Exploration Projects

Figure 1: Vital Metals West African Project Location



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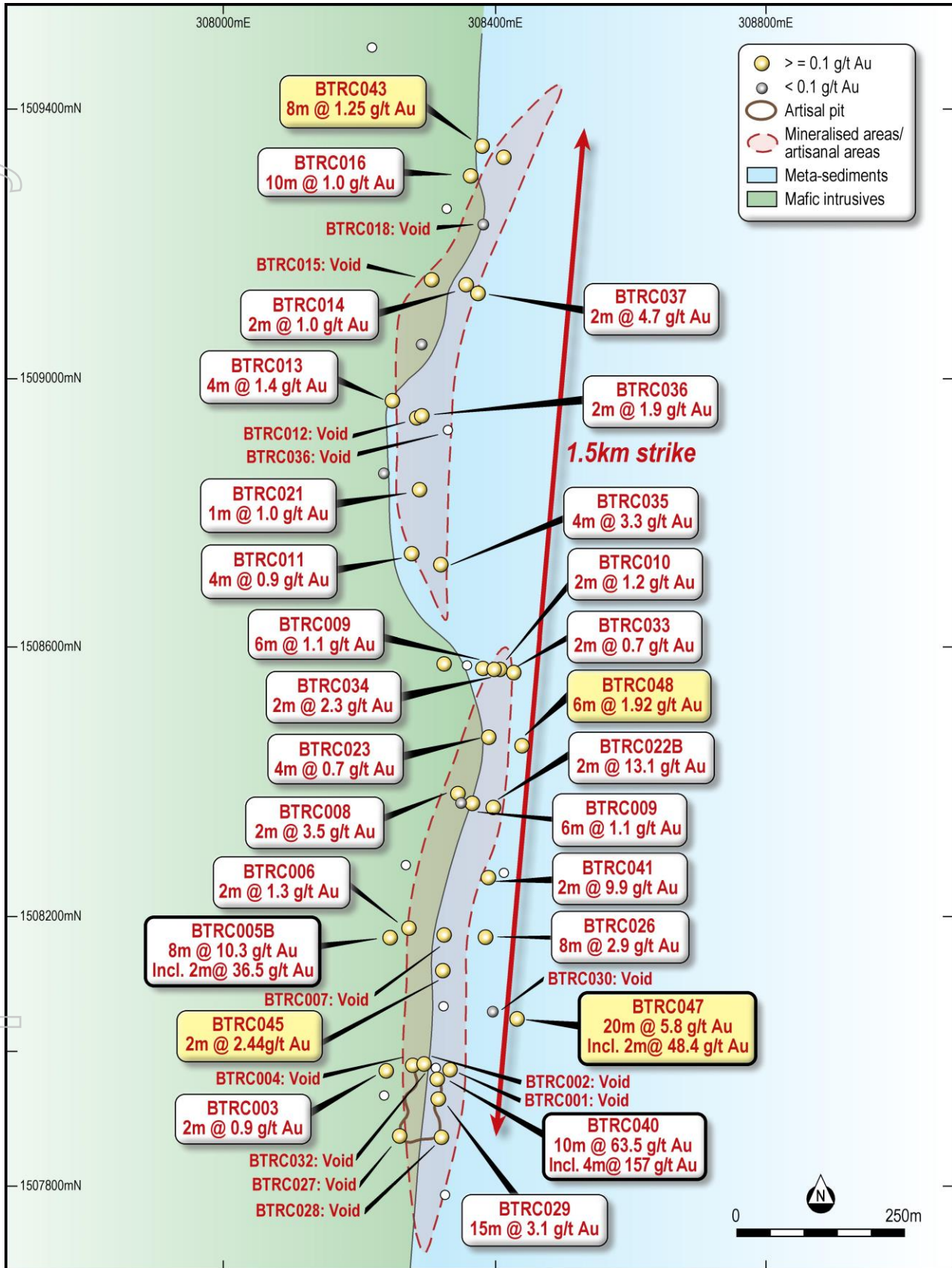
Figure 2: Project location plan



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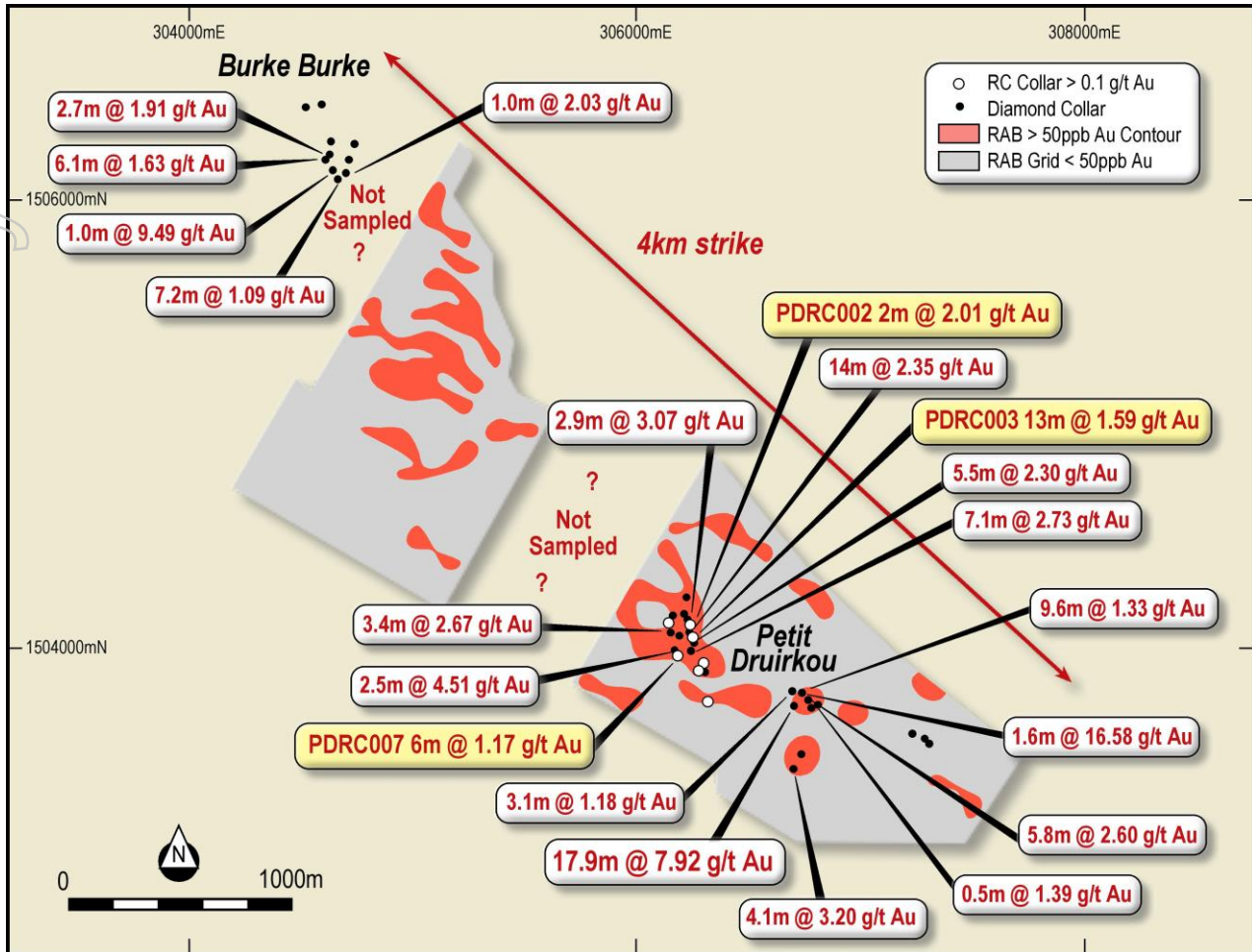


Figure 3: Bella Tondi drilling plan



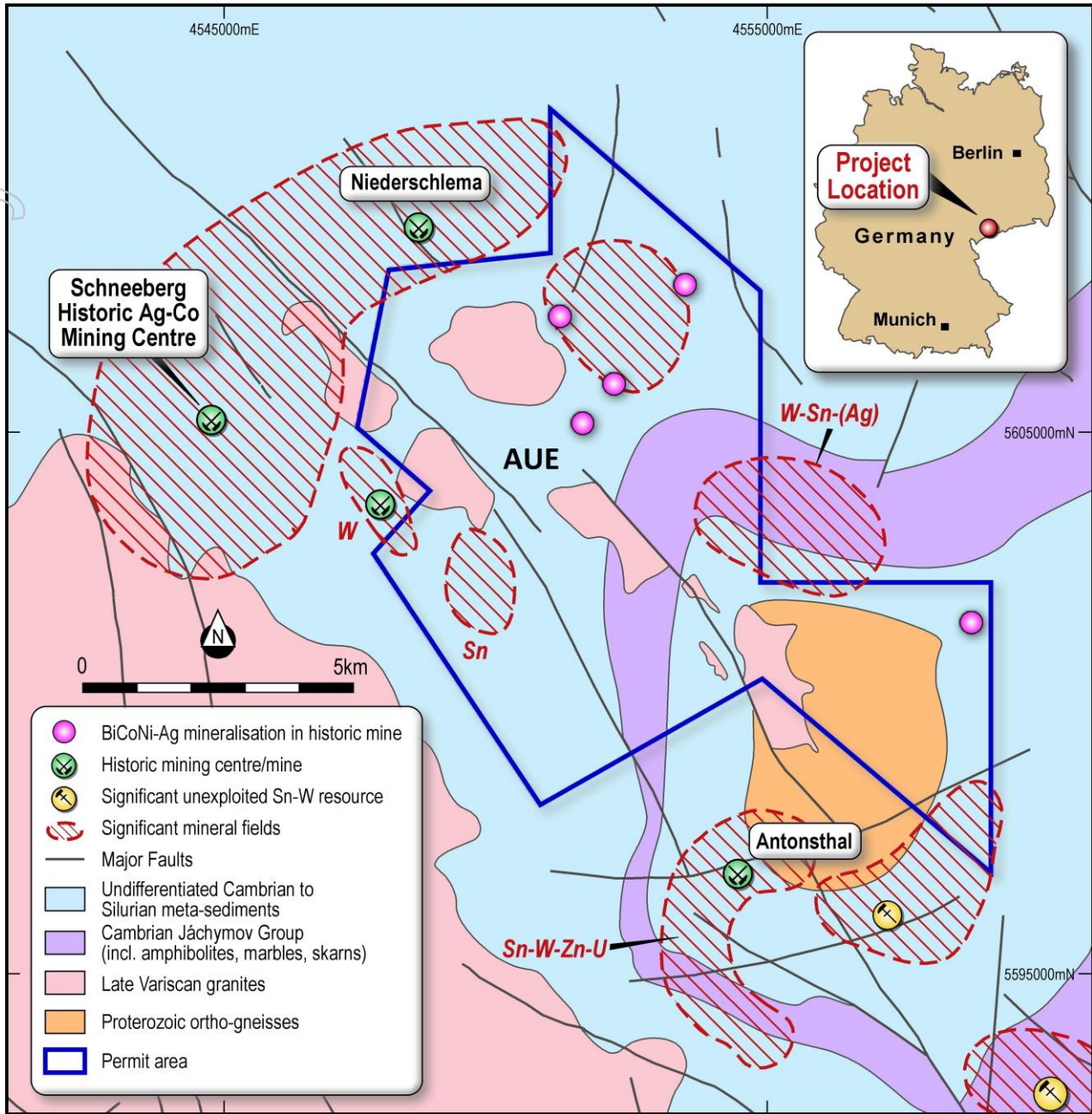
Includes results reported previously 8 March 2018, 27 March 2018 and 10 April 2018 - The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcements.

Figure 4: Petit Druirkou drilling plan



Includes results reported previously 10 April 2018 - The Company confirms that it is not aware of any new information or data that materially affects the information included in the previous announcement.

Figure 5: Germany - Aue permit

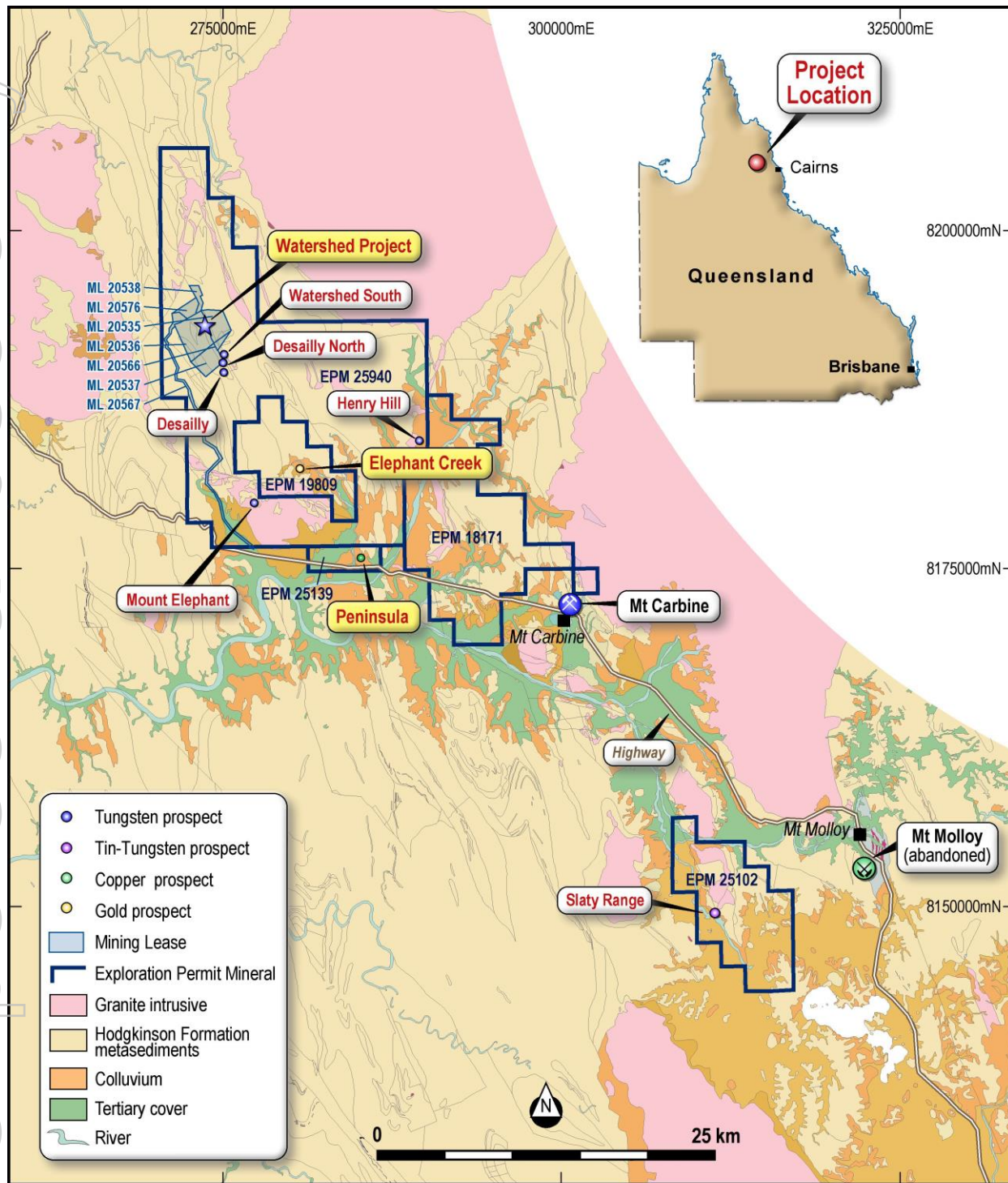


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# Appendix C – Development

Figure 6: Location of Vital Metals Queensland Projects



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## Watershed Tungsten Project Milestones towards Development

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 1 <sup>st</sup> 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 <sub>3</sub> the Watershed deposit contains Mineral Resources of 49.32Mt at 0.14% WO <sub>3</sub> for 70,400 tonnes of WO <sub>3</sub> <sup>4</sup>
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 <sub>3</sub> grade of 0.15% using a cut-off grade of 0.05% WO <sub>3</sub> and is inclusive of a 95% mining recovery <sup>5</sup>
Clean Scheelite Concentrate	Flowsheet has demonstrated that a high-grade >65% WO <sub>3</sub> scheelite concentrate can be produced. Concentrate is extremely low in penalty elements: <ul style="list-style-type: none"> <li>• No Arsenic</li> <li>• No Molybdenum</li> <li>• No Uranium</li> <li>• No Thorium</li> </ul>
Definitive Feasibility Study	DFS considered 10-year open pit operation processing 2.5Mtpa with only ~40% of resources extracted. Significant near-mine exploration potential <sup>6</sup> 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 <sup>7</sup>

<sup>4</sup> Mineral Resources initially reported ASX release 30 June 2012. Mineral Resources classified using JORC 2004 guidelines.

<sup>5</sup> Watershed Ore Reserves first reported in ASX release 17 September 2014. Mineral Reserves classified using JORC 2012 guidelines.

<sup>6</sup> Key finding Watershed DFS first reported in ASX release 17 September 2014.

<sup>7</sup> 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<sub>3</sub>.

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

Watershed Mineral Resources	Tonnage Mt	WO <sub>3</sub> %
Measured	9.5	0.16
Indicated	28.4	0.14
<b>Sub Total: Measured and Indicated</b>	<b>37.8</b>	<b>0.15</b>
Inferred	11.5	0.15
<b>Total: Measured, Indicated and Inferred</b>	<b>49.3</b>	<b>0.14</b>

Table 1: Watershed Mineral Resources<sup>8</sup>

Watershed Ore Reserves	Tonnage Mt	WO <sub>3</sub> %
Proved	6.4	0.16
Probable	15	0.14
<b>Total: Proved and Probable</b>	<b>21.3</b>	<b>0.15</b>

Table 2: Watershed Ore Reserves<sup>9</sup>

Name	Tenement	Elements of Interest	Tonnage Range (kt)	Grade Range	Comments
Watershed including Deeps	ML20536	W	10,500 – 14,000	0.14 - 0.25%	<b>These Exploration Targets are conceptual in nature, and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.</b>
Watershed South	MDL127	W	830 - 1,000	0.06 - 0.15%	
Desailly North	MDL127	W	830 - 1,000	0.06 - 0.15%	
Desailly	MDL127	W	1,150 – 1,500	0.06 - 0.15%	
Mt Elephant	EPM 25940	W, Sn	1,000 - 3,000	0.06 - 0.15%	
Slaty Range	EPM 25102	W, Sn	35,000 – 60,000	0.10-0.18%	
<b>Exploration Potential exclusive of current Mineral Resource</b>		<b>W</b>	<b>49,000 – 80,000</b>	<b>0.10-0.19%</b>	

Table 3: Watershed Tungsten Project Exploration Targets

<sup>8</sup> Watershed Mineral Resources first reported in ASX release 30 July 2012.

<sup>9</sup> Watershed Ore Reserves first reported in ASX release 17 September 2014.

Watershed Mineral Resources are inclusive of Ore Reserves.

Watershed Mineral Resources and Ore Reserves reported at a cut-off grade of 0.05% WO<sub>3</sub>.

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