



VITAL METALS LIMITED

ABN 32 112 032 596

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2023**

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VITAL METALS LIMITED
31 DECEMBER 2023
CORPORATE DIRECTORY

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CORPORATE INFORMATION

ABN 32 112 032 596

Directors

Mr Richard Crookes (Non-Executive Chairman)

Dr Geordie Mark (Managing Director and CEO) (Appointed 16 October 2023)

Mr James Henderson (Non-Executive Director)

Mr Paul Quirk (Non-Executive Director)

Ms Lisa Riley (Non-Executive Director)

Company Secretary

Louisa Martino

Registered Office and Principal Place of Business

Level 10, 27-31 Macquarie Place

Sydney NSW 2000

Telephone: +61 2 8029 0676

Share Register

Automatic Registry Services

Level 5, 191 St Georges Terrace

Perth WA 6000

Telephone: 1300 288 664

Auditors

BDO Audit (WA) Pty Ltd

Level 9, Mia Yellagonga Tower 2

5 Spring Street

Perth WA 6000

Website

www.vitalmetals.com.au

Stock Exchange

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

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VITAL METALS LIMITED
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DIRECTORS' REPORT

Your Directors are pleased to present their report on the consolidated entity consisting of Vital Metals Limited ("Vital" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

DIRECTORS

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

Mr Richard Crookes	Non-Executive Chairman
Dr Geordie Mark (appointed 16 October 2023)	Managing Director & CEO
Mr James Henderson	Non-Executive Director
Mr Paul Quirk	Non-Executive Director
Ms Lisa Riley	Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

Financial results

The net loss for the consolidated entity after providing for income tax from continuing operations amounted to \$4,400,311 (2022: loss \$3,717,044).

On 29 September 2023, Vital Metals Canada Limited (**VMCL**), the holding company owning the Saskatoon processing facility, was placed into bankruptcy and has been accounted for as a discontinued operation (refer note 16).

Financial position

At 31 December 2023, the consolidated entity had cash reserves of \$4,195,665 (June 2023: \$3,620,509).

Dividends

There were no dividends paid, recommended or declared during the current period or previous financial year.

OPERATIONS REVIEW

Nechalacho Rare Earths Project, Canada

Nechalacho's Tardiff Deposit boasts an impressive light rare earth oxides (LREO) resource of 119 million tonnes at 1.4% TREO¹ in the measured, indicated and inferred JORC 2012 categories. Vital's focus remains on developing this large-scale deposit, which represents one of the largest single rare earths systems in the western world, estimated to contain 416,000 tonnes of neodymium and praseodymium.

A 2023 drilling program aimed to assist development of this world-class light rare earth deposit was executed. Vital completed 74 holes for a total of 6,664 metres at Tardiff that expanded on work completed in 2021 and 2022. The 2023 drill program aimed to convert resources defined in the upper Mineral Resource Estimate on the Tardiff Upper Mineralised Zone announced earlier in the year. This program was drilled on a nominal 50m by 50m grid to infill areas previously covered by a nominal 100m to 200m drill pattern.

Vital reported results from 17 holes in May 2023², broadly confirming previous geological interpretations of mineralisation leading to potential conversion of resources and incrementally de-risking the understanding of the distribution of rare earth mineralisation at Tardiff.

¹ See VML ASX Announcement 14/02/2023 – Vital Achieves 26% Increase in Tardiff Mineral Resource

² See VML ASX Announcement 30/05/2023 – Vital intersects up to 2.8% TREO in drilling at Tardiff

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Vital reported results from a further 23 drillholes in November 2023³. Best results included:

- **56.0m at 1.2% TREO** from 34.00m incl. **1.05m at 5.4% TREO** within **2.16m at 4.8% TREO**;
- **79.7m at 1.5% TREO** from 13.30m incl. **1.5m at 4.3% TREO** within **3.0m at 3.3% TREO** and **4.15m at 3.0% TREO**;
- **33.45m at 2.2% TREO** from 47.00m incl. **3.85m at 3.3% TREO** within **8.95m at 2.8% TREO**;
- **31.76m at 2.1% TREO** from 34.24m and **1.92m at 4.0% TREO** from 88.76m;
- **23.85m at 2.0% TREO** from 9.15m; and
- **15.50m at 2.7% TREO** from 30.50m.

Results from these 23 drillholes highlighted the potential expansion of shallow higher-grade mineralisation beyond the scope of the 2023 program footprint, and consolidated Vital's geological interpretations and modelling of the internal distribution of rare earth mineralisation.

Post half-year end, in February 2024⁴, Vital reported results from a further 10 drillholes, including results up to **7.9% TREO**. These included:

- **18.90m at 2.40% TREO** from 12.10m including
- **1.9m at 7.9% TREO from 12.1m and**
- **1.4m at 3.8% TREO from 19.2m;**
- **18.00m at 2.10% TREO** from 72.00m;
- **12.90m at 2.40% TREO** from 56.05m;
- **43.50m at 1.80% TREO** from 38.50m; and
- **46.25m at 1.70% TREO** from 24.00m.

These holes confirmed results from earlier reported intersections from 2023 and highlighted the potential for further expansion of shallow higher grade mineralisation beyond the 2023 drill-program footprint. Overall, these data are expected to aid the interpretation of the geological model and the grade model for the distribution of rare earth mineralisation.

Assay results from the remaining 24 holes of the 2023 program are expected within the next 2-3 months.

A subsequent Mineral Resource Estimate (MRE) update coupled with a Scoping Study on the Tardiff resource is planned to incorporate results from the 2023 drilling program and potentially other follow-up drilling that tests expansion potential of shallow high grades.

Saskatoon processing facility, Canada

Vital initiated a strategic review process in April 2023 to investigate potential pathways for the long-term future and viability of its rare earth processing facility located in Saskatoon, Saskatchewan, Canada (the "Saskatoon Facility") following its decision in December 2022 to defer completion of the facility and plan to produce an intermediate product was found not to be economic.

The Company evaluated alternative business strategies for its wholly owned subsidiary, Vital Metals Canada Limited ("VMCL"), the owner of the Saskatoon Facility, to deliver a sustainable business model for the Saskatoon business. As result of the review on 29 September 2023, Vital Metals Canada Limited (**VMCL**), the holding company owning the Saskatoon processing facility, was placed into bankruptcy.

Contemporaneously with the strategic review, the Company engaged in dialogue with offtake partner REEtec to amend the Offtake Agreement between the two companies. Vital was not able to reach a resolution with REEtec on the proposed terms of an amended Offtake Agreement, nor did REEtec agree to any other alternative. As a result, Vital issued a Notice of Termination under the Offtake Agreement, which was delivered to REEtec on 28 September 2023 (Australian time). The Offtake Agreement was terminated on 26 December 2023 — the date that is 90 days following the delivery of the Notice of Termination. REEtec has indicated that it does not agree with Vital's termination of the agreement and had reserved its rights in that regard, which may include arbitration proceedings.

³ See VML ASX Announcement 21/11/2023 – Vital drilling at Tardiff returns up to 5.4% TREO

⁴ See VML announcement 6/2/2024 – Tardiff returns further high grade results up to 7.9%

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Vital's other Canadian subsidiary, Cheetah Resources Corporation, the owner of the mineral properties in NWT, remains unaffected by this process. Vital intends to continue funding the development of these assets towards the Company's goal of rare earth production at the Tardiff Project.

ASX Listing Rule Information

This Report contains information relating to Mineral Resource Estimates in respect of the Nechalacho Project extracted from ASX market announcements reported previously and published on the ASX platform on 14 February 2023. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the original market announcements continue to apply and have not materially changed. The Mineral Resource estimate of 119.0Mt @ 1.4% TREO comprises 108.1Mt @ 1.39% TREO Inferred, 6.3Mt @ 1.45% TREO Indicated and 4.6Mt @ 1.59% TREO Measured.

This Report contains information relating to Exploration Results extracted from ASX market announcements reported previously in accordance with the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("2012 JORC Code") and published on the ASX platform on 30 May 2023, 21 November 2023 and 6 February 2024. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements.

Other Projects

Vital did not complete any activities at its projects in Tanzania, Burkina Faso or Germany during the period.

CORPORATE

Board and Management appointments

Vital announced the appointment of Dr Geordie Mark as its Managing Director and CEO in October 2023. Most recently, Dr Mark was the Head of Mining for Haywood Securities Inc., where he held different roles and sub-sector coverages from 2008. He was an analyst at Passport Capital, providing analysis on explorers to large cap. producers across a diverse range of commodities.

Prior to moving to Canada, Dr Mark was a lecturer in Economic Geology and Logan Fellow at Monash University in Melbourne. He has a BSc Honors degree and PhD in Science from James Cook University.

In addition, Lara Iacusso joined as Vital's Chief Financial Officer (CFO) in October 2023. Ms Iacusso has more than 30 years' experience in financial advisory services in Australia and overseas across a wide range of industries including mining and exploration. She was previously a partner of Deloitte Corporate Finance and is the former CFO of ASX-listed Oklo Resources, which merged with B2Gold in September 2022, and TSXV-listed Compass Gold Corp. She is currently CFO for a West African lime company and several private companies.

Ms Iacusso specialises in providing financial advisory services to emerging companies and has experience working with companies with operations in multiple jurisdictions including optimising cashflow, taxation and other cross-border matters.

Richard Crookes was appointed as Vital's Chairman in a permanent capacity, after serving as interim Non-Executive Chairman since February 2023. Mr Crookes has been on Vital's Board since August 2022.

Vital announced the appointment of Natalie Pietrzak-Renaud, P.Geo, PhD, as VP Exploration in December. Dr Pietrzak-Renaud is a Professional Geologist with more than 20 years mineral exploration and research experience in a variety of deposit types. She has extensive experience in developing and managing exploration programs including world-class gold and rare earth element (REE) deposits.

Dr Pietrzak-Renaud has acted in the Vice President Exploration role in publicly traded and private junior exploration companies focused on gold and REEs. She has led and managed the development and execution of geological and testing programs for Quest Rare Minerals Ltd. and later Torngat Metals Ltd., at the Strange Lake REE deposit in Quebec, Canada.

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Vital secures \$2m loan

In September, Vital entered a short-term loan agreement with a syndicate of three lenders – Malekula Projects Pty Ltd, INVL Group Pty Ltd and Treasury Services Group Pty Ltd as trustee for the Nero Resource Fund (“Lenders”), for A\$2 million to fund continued development of the Tardiff rare earths deposit in Northwest Territories, Canada and for general working capital requirements. As noted below, funds from the Shenghe Resources Investment were used to repay this loan during the period.

Shenghe Resources investment

In October 2023, Vital entered into a subscription agreement (Subscription Agreement) with Shenghe Resources (Singapore) Pte Ltd, a wholly-owned subsidiary of Shenghe Resources Holding Co., Ltd. (Shenghe), a global leader in the rare earth sector with experience across the entire value chain.

Shenghe agreed to subscribe for:

- 9.99% of the issued share capital in Vital (post-deal) at a subscription price of A\$0.01 per share to raise a minimum of approximately A\$5.9 million (Tranche 1 Subscription); and
- At its election and subject to Vital shareholder approval, up to a further 592 million shares at a subscription price of A\$0.015 per share which, if exercised, would raise approximately A\$8.9 million (Tranche 2 Subscription).

Following receipt by Shenghe of overseas direct investment approval (ODI) in China, all conditions precedent to the Tranche 1 Subscription under the subscription agreement with Shenghe were satisfied and the Company completed the issue and allotment of 588,917,200 ordinary Vital shares to Shenghe, raising approximately A\$5.9 million (before costs).

Vital’s ordinary shares (ASX:VML) were reinstated to official quotation and recommenced trading on the ASX on 18 December 2023.

The issue price of the Tranche 1 Subscription of A\$0.01 per share is the same as the last traded price of Vital shares on 20 July 2023 and the Tranche 1 Subscription was completed utilising the Company’s available placement capacity under ASX Listing Rule 7.1A (530.6m) and Listing Rule 7.1 (58.4m).

Shenghe has the right to nominate one person for appointment as a non-executive director to the Vital Board of Directors.

Stockpile Sale

Vital agreed to sell stockpiled rare earth material to Shenghe for ~A\$2.6 million (Stockpile Sale).

The stockpiled rare earth material was derived from mining at Nechalacho’s North T deposit and intended for treatment at the Saskatoon Facility being constructed by Vital’s subsidiary, Vital Metals Canada Limited (VMCL). However, Vital placed VMCL into bankruptcy in September 2023 prior to the completion of the construction of the Saskatoon Facility.

Vital anticipates completing the Stockpile Sale early in 2024. Shenghe has no preferential rights over future production from Nechalacho.

Use of Proceeds

Vital is now funded to deliver key milestones in 2024 and intends to utilise the proceeds of the Tranche 1 Subscription as follows:

- Progress development of the Company’s Nechalacho Project, including Mineral Resource Estimate update for Nechalacho Rare Earth Project and scoping study for Tardiff;
- Repay existing debt, creditors and transaction costs; and
- General working capital.

As noted above, a portion of the Tranche 1 Subscription funding repaid the \$2 million loan provided by Malekula Projects Pty Ltd, INVL Group Pty Ltd and Treasury Services Group Pty Ltd as trustee for the Nero Resources Fund (“Lenders”) (refer to the Company’s ASX announcement dated 6 September 2023 for further details). Following repayment of the loan, the general security granted to the Lenders over the Company’s assets was fully discharged.

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DIRECTORS' REPORT

SUBSEQUENT EVENTS

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

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 8.

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



Richard Crookes
Chairman
Sydney, 14 March 2024

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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF VITAL METALS LIMITED

As lead auditor for the review of Vital Metals Limited for the half-year ended 31 December 2023, 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.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth

14 March 2024

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Half-year	
		2023	Restated* 2022
		\$	\$
Continuing operations			
Other Income			
Sundry income		49,095	16,832
Total Other Income		<u>49,095</u>	<u>16,832</u>
Expenses			
Administration expenses		(1,506,995)	(2,073,233)
Depreciation and amortisation	8	(388,904)	(562,157)
Exploration expenses		-	(69,433)
Impairment of Inventory		(1,510,782)	-
Project Write-offs		-	(1,108,488)
Share-based payments	14	(240,801)	(116,701)
Total Expenses		<u>(3,647,482)</u>	<u>(3,930,012)</u>
Loss from continuing operations before income tax and finance costs		<u>(3,598,387)</u>	<u>(3,913,180)</u>
Finance income		22,997	317,742
Finance and loan expenses	14	(824,921)	(121,606)
Net Finance Income/(Loss)		<u>(801,924)</u>	<u>196,136</u>
Income tax benefit / (expense)			
Income tax benefit / (expense)	4	-	-
Loss from continuing operations		<u>(4,400,311)</u>	<u>(3,717,044)</u>
Discontinued operations			
Profit/(loss) after tax from discontinued operations	16	7,343,506	(1,051,000)
PROFIT/(LOSS) FOR THE HALF-YEAR		<u>2,943,195</u>	<u>(4,768,044)</u>
OTHER COMPREHENSIVE INCOME / LOSS			
Items that may be reclassified subsequently to loss:			
Exchange differences on translation of foreign operations		(2,236,474)	(1,690,032)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE HALF-YEAR		<u>706,721</u>	<u>(6,458,076)</u>

* - restated to include comparative for discontinued operations

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Half-year	
		2023	Restated* 2022
		\$	\$
Loss from continuing operations attributable to:			
Owners of the Company		(4,400,311)	(3,717,744)
		<u>(4,400,311)</u>	<u>(3,717,744)</u>
Profit/(loss) from continuing and discontinued operations attributable to:			
Owners of the Company		2,943,195	(4,768,044)
		<u>2,943,195</u>	<u>(4,768,044)</u>
Total Comprehensive Loss attributable to:			
Owners of the Company		706,721	(6,458,076)
		<u>706,721</u>	<u>(6,458,076)</u>
Earnings/(loss) per share from continuing and discontinued operations for the half year attributable to the ordinary equity holders of the company			
		<u>0.05 Cents</u>	<u>(0.01) cents</u>
Diluted earnings/(loss) per share from continuing and discontinued operations for the half year attributable to the ordinary equity holders of the company			
		<u>0.05 cents</u>	<u>(0.01) cents</u>
Loss per share from continuing operations for the half year attributable to the ordinary equity holders of the company			
		<u>(0.08) Cents</u>	<u>(0.08) cents</u>
Diluted loss per share from continuing operations for the half year attributable to the ordinary equity holders of the company			
		<u>(0.08) cents</u>	<u>(0.08) cents</u>

* - restated to include comparative for discontinued operations

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	As at 31 December 2023 \$	As at 30 June 2023 \$
CURRENT ASSETS			
Cash and cash equivalents	5	4,195,665	3,620,509
Trade and other receivables		432,229	793,724
Inventories	7	1,860,118	-
TOTAL CURRENT ASSETS		<u>6,488,012</u>	<u>4,414,233</u>
NON-CURRENT ASSETS			
Property, plant and equipment	6	3,626,979	3,916,446
Right of use asset	8	285,022	360,612
Exploration and evaluation asset	9	21,049,011	19,484,535
Mine under development	10	30,744,330	31,407,129
Inventories	7	-	3,249,982
TOTAL NON-CURRENT ASSETS		<u>55,705,342</u>	<u>58,418,704</u>
TOTAL ASSETS		<u>62,193,354</u>	<u>62,832,937</u>
CURRENT LIABILITIES			
Trade and other payables		1,045,810	2,384,143
Refundable deposit		45,000	-
Government loans	11	139,759	143,037
Financial liabilities	12	309,815	674,929
Provisions		39,656	165,381
TOTAL CURRENT LIABILITIES		<u>1,580,040</u>	<u>3,367,490</u>
NON-CURRENT LIABILITIES			
Government loans	11	451,948	3,391,939
Financial liabilities	12	137,225	2,831,261
Provisions		866,698	887,028
TOTAL NON-CURRENT LIABILITIES		<u>1,455,871</u>	<u>7,110,228</u>
TOTAL LIABILITIES		<u>3,035,911</u>	<u>10,477,719</u>
NET ASSETS		<u>59,157,443</u>	<u>52,355,218</u>
EQUITY			
Contributed equity	13	154,854,350	150,394,157
Reserves		9,661,204	10,262,367
Accumulated Losses		(105,358,111)	(108,301,306)
TOTAL EQUITY		<u>59,157,443</u>	<u>52,355,218</u>

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Contributed Equity	Share-Based Payment Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
BALANCE AT 1 JULY 2023	150,394,157	7,834,909	2,427,458	(108,301,306)	52,355,218
Profit for the half-year	-	-	-	2,943,195	2,943,195
Other Comprehensive Loss					
Exchange differences on translation of foreign operations	-	-	(2,236,474)	-	(2,236,474)
Total Comprehensive Loss for the Period	-	-	(2,236,474)	2,943,195	706,721
Transactions with Owners in their Capacity as Owners					
Contributions of equity (net of transaction costs, excluding share-based payments)	5,343,820	-	-	-	5,343,820
Share based payments included in contributions of equity	(883,627)	883,627	-	-	-
Share based payments expense included in profit and loss	-	751,684	-	-	751,684
BALANCE AT 31 DECEMBER 2023	154,854,350	9,470,220	190,984	(105,358,111)	59,157,443

	Contributed Equity \$	Share-Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$
BALANCE AT 1 JULY 2022	107,553,071	7,690,378	2,040,721	(56,620,112)	60,664,058
Loss for the half-year	-	-	-	(4,768,044)	(4,768,044)
Other Comprehensive Loss					
Exchange differences on translation of foreign operations	-	-	(1,690,032)	-	(1,690,032)
Total Comprehensive Loss for the Period	-	-	(1,690,032)	(4,768,044)	(6,458,076)
Transactions with Owners in their Capacity as Owners					
Contributions of equity (net of transaction costs)	42,841,097	-	-	-	42,841,097
Share based payments expense	-	116,702	-	-	116,702
BALANCE AT 31 DECEMBER 2022	150,394,168	7,807,080	350,689	(61,388,156)	97,163,781

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Half-year	
		2023	2022
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		44,316	-
Interest received		23,752	98,693
Government incentives received		-	16,832
Payments for exploration and evaluation costs		-	(139,943)
Payments to suppliers and employees		(1,620,132)	(2,218,500)
Payments for inventory		(141,707)	(122,866)
Interest paid		(291,619)	(7,267)
Net cash outflow from operating activities		(1,985,390)	(2,373,051)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of non-current assets		212,609	-
Payments for exploration and evaluation costs		(1,837,458)	(644,683)
Payments for mine under development		(332,040)	(6,134,008)
Payments for property, plant and equipment		(536,392)	(14,329,041)
Payments for rental bond		-	(941)
Proceeds from refundable deposit		45,000	-
Cash from discontinued operations		(366,153)	-
Net cash outflow from investing activities		(2,814,434)	(21,108,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5,889,172	45,000,000
Cost of share capital issued		(148,934)	(2,318,881)
Proceeds from borrowings		2,000,000	5,818,832
Repayment of borrowings		(2,041,036)	-
Payments for debt transaction costs		(58,000)	-
Repayment of lease liability		(236,743)	(335,817)
Proceeds from exercise of options		-	160,000
Net cash inflow from financing activities		5,404,459	48,324,134
Net increase in cash and cash equivalents		604,635	24,842,410
Cash and cash equivalents at the beginning of the half-year		3,620,509	5,158,350
Effects of exchange rate changes on cash and cash equivalents		(29,479)	(27,330)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR		4,195,665	29,973,430
Cash outflows from discontinued operations	16	(623,629)	(9,305,698)

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Vital Metals Limited (“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 2023 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 2023 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 2023 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*. This consolidated interim financial report was approved by the Board of Directors on 14 March 2024.

1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this report have been set out below.

Accounting policies

The Company has consistently applied the accounting policies as described in the annual report for the year ended 30 June 2023 to all periods presented in the financial statements.

New and Amended Standards Adopted by the Group

In the half-year ended 31 December 2023, 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 2023.

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 2023. 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

These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the half-year ended 31 December 2023, the Group incurred a loss of from continuing operations \$4,400,311 and had net cash outflows from operating and investing activities of \$4,799,824 (2022: \$23,481,722). This includes cash outflows from discontinued operations of \$623,629 (2022: \$9,305,698)

The ability of the entity to meet its planned activities, including continuing to progress its exploration and development activities to a commercial-ready stage, is dependent on securing additional funding through the sale of equity securities to either existing or new shareholders to continue to fund its operational and investing activities.

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The directors have reviewed the cash flow forecast for the next 12 months from the date of signing this financial report, and assessed that there are reasonable grounds to believe the Group will be able to continue as a going concern due to the following factors:

- The Group has entered into a sale agreement for the sale of ore inventory;
- The Group expects to receive funds from the Trustee of VMCL;
- The Group expects to receive additional funds via the issue of equity securities to either existing or new shareholders; and
- In the event of further funds not being raised, the Group's activities would be wound back to a sustainable level.

The Directors believe the Group is a going concern as they have sufficient funds to meeting operating costs and committed exploration spend and have access capital to fund potential further exploration activities.

Should the Group 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 which differ from those stated in the financial statements and the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities which 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 2023. In addition, judgements were made in respect of the deconsolidation of Vital Metals Canada Limited from the consolidated group (refer Note 16).

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 3: SEGMENT INFORMATION

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

	Australia		Canada (exploration and mine under development)		Burkina Faso		Tanzania		Total segments from continuing operations		Canada (Processing) (discontinued operations)	
	2023	2022	2023	Restated* 2022	2023	2022	2023	2022	2023	Restated* 2022	2023	Restated* 2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Segment income	43,810	-	5,285	16,832	-	-	-	-	49,095	16,832	-	6,405
Interest revenue	7,771	92,545	15,225	225,197	-	-	-	-	22,996	317,742	756	2,448
Total income	51,581	92,545	20,510	242,029	-	-	-	-	72,091	334,574	756	8,853
Segment profit/ (loss)	(2,474,537)	(1,903,526)	(1,890,483)	(2,813,907)	(35,291)	-	-	(50,611)	(4,400,311)	(4,768,044)	7,343,506	(1,051,000)
Net profit/ (loss) before tax	(2,474,537)	(1,903,526)	(1,890,483)	(2,813,907)	(35,291)	-	-	(50,611)	(4,400,311)	(4,768,044)	7,343,506	(1,051,000)

	Australia		Canada (exploration and mine under development)		Burkina Faso		Canada (Processing) (discontinued operations)		Total segments from continuing operations	
	December 2023	June 2023	December 2023	Restated* June 2023	December 2023	June 2023	December 2023	Restated* June 2023	December 2023	Restated* June 2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Segment assets	4,371,199	3,010,685	57,822,155	58,911,620	-	35,991	-	874,641	62,193,354	62,832,937
Segment liabilities	1,230,350	909,446	1,805,561	2,004,314	-	(43,471)	-	7,607,430	3,035,911	10,477,719

* - restated to adjust comparative for discontinued operations disclosures

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 4: INCOME TAX

	31 December 2023	30 June 2023
	\$	\$
Income tax expense	-	-
	<hr/>	<hr/>
	<hr/>	<hr/>

The income tax expense reflects tax on the loss on continuing operations.
Refer Note 16 for details of tax effect of discontinued operations.

NOTE 5: CASH AND CASH EQUIVALENTS

	31 December 2023	30 June 2023
	\$	\$
Cash at bank and on hand	3,062,657	2,073,233
Cash held as security deposits	1,133,008	1,547,276
	<hr/>	<hr/>
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	4,195,665	3,620,509
	<hr/>	<hr/>

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

	31 December	30 June
	2023	2023
	\$	\$
Software:		
At cost	103,042	183,942
Accumulated depreciation	(56,729)	(114,390)
	<u>46,313</u>	<u>69,552</u>
Plant and equipment:		
At cost	3,959,112	4,282,861
Accumulated depreciation	(996,781)	(895,573)
Impairment of plant and equipment	-	(179,319)
	<u>2,962,331</u>	<u>3,207,969</u>
Motor vehicles:		
At cost	620,257	653,013
Accumulated depreciation	(219,383)	(204,419)
Impairment of motor vehicles	-	(56,136)
	<u>400,874</u>	<u>392,458</u>
Fixtures and fittings:		
At cost	432,421	441,796
Accumulated depreciation	(214,960)	(195,329)
	<u>217,461</u>	<u>246,467</u>
Capital Works in Progress:		
At cost	-	35,487,682
On costs	-	4,495,968
Impairment of capital works in progress	-	(39,983,650)
	<u>-</u>	<u>-</u>
Total property, plant & equipment		
- written down value	<u>3,626,979</u>	<u>3,916,446</u>

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 6: PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in carrying amounts

	Software	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	Capital Works in Progress	Total
December 2023	\$	\$	\$	\$	\$	\$
Opening net book value	69,552	3,207,969	392,458	246,467	-	3,916,446
Additions	-	-	59,610	-	902,149	961,759
Exchange differences	(2,416)	116,617	(14,557)	(9,374)	3,146,075	3,236,345
Deconsolidation of VMCL	-	(261,047)	(21,673)	-	(2,312,721)	(2,595,441)
Disposals	-	-	-	-	(1,735,503)	(1,735,503)
Depreciation Expense	(20,823)	(101,208)	(14,964)	(19,632)	-	(156,627)
Balance at 31 Dec 2023	46,313	2,962,331	400,874	217,461	-	3,626,979
June 2023	\$	\$	\$	\$	\$	\$
Opening net book value	-	3,540,268	483,184	217,229	13,653,666	17,894,347
Additions	105,460	285,929	77,808	102,260	26,329,984	26,901,441
Exchange differences	-	25,903	2,422	1,358	-	29,683
Disposals	-	(5,414)	-	-	-	(5,414)
Depreciation Expense	(35,907)	(459,398)	(114,820)	(74,381)	-	(684,506)
Impairment	-	(179,319)	(56,136)	-	(39,983,650)	(40,219,105)
Balance at 30 Jun 2023	69,552	3,207,969	392,458	246,467	-	3,916,446

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

Class of fixed asset	Depreciation period
Software	2-3 years
Plant and equipment	2-10 years
Motor vehicles	3 years
Fixtures and fittings	2-40 years

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 7: INVENTORIES

	31 December	30 June
	2023	2023
	\$	\$
Current		-
Ore at cost	1,860,118	-
Total Current Inventories	<u>1,860,118</u>	<u>-</u>
Non-Current		
Ore at cost	1,358,063	3,249,982
Consumables	120,689	918,032
Provision for Impairment	(1,478,752)	(918,032)
Total Non-current Inventories	<u>-</u>	<u>3,249,982</u>

During the half year, the Company agreed to sell stockpiled rare earth material to Shenghe. The Company has reclassified ore at cost relating to the ore sale agreement from non-current to current.

NOTE 8: RIGHT OF USE ASSET

	31 December	30 June
	2023	2023
	\$	\$
Land and buildings		
Opening Balance	360,612	568,139
Additions	-	3,515,120
Depreciation	(123,873)	(1,060,019)
Impairment	-	(2,662,628)
Exchange differences	48,283	-
Total Right of use asset	<u>285,022</u>	<u>360,612</u>

Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

	31 December	Restated
	2023	31 December
	\$	2022
	\$	\$
Depreciation Charges		
Land and Buildings – Right of Use Assets	123,873	283,214
Property, plant and equipment	265,031	278,943
Total Depreciation	<u>388,904</u>	<u>562,157</u>

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 9: EXPLORATION AND EVALUATION ASSET

	31 December	30 June
	2023	2023
	\$	\$
Opening balance	19,484,535	13,531,004
Exploration expenditure	1,979,073	6,027,969
Exploration expenditure – expensed	-	(74,438)
Exchange differences	(414,597)	-
Closing balance	<u>21,049,011</u>	<u>19,484,535</u>
Comprising		
Canada (Nechalacho Rare Earths Project)	20,402,505	18,838,029
Tanzania (Wigu Hill)	646,506	646,506
Closing balance	<u>21,049,011</u>	<u>19,484,535</u>

During the half-year the Company entered into a Binding Term Sheet (**Term Sheet**) with Shenghe Resources (Singapore) Pte. Ltd (**Shenghe**) that, subject to grant of a mining licence at Wigu Hill in Tanzania (**Mining Licence**) to Vital (or its controlled entity) and satisfaction of other conditions precedent, Shenghe will acquire an initial 50% interest in the Wigu Hill Project as follows:

- Shenghe will acquire 50% of the issued share capital of Kisasi Mining Ltd, which is the applicant for the Mining Licence, thereby acquiring an indirect 50% interest in the Wigu Hill Project.
- Consideration for initial 50% interest equal to 50% of the total costs, expenses and liabilities incurred by or on behalf of Vital in relation to the Wigu Hill Project (capped at US\$1.5 million).
- Shenghe can earn up to a 75% ownership interest upon sole funding completion of a preliminary feasibility study and definitive feasibility study on the Wigu Hill Project.
- Several conditions precedent, including the grant of a Mining Licence, must be satisfied before 19 November 2027.

As at the end of the half-year, the Mining Licence had not been issued.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 10: MINE UNDER DEVELOPMENT

	31 December	30 June
	2023	2023
	\$	\$
Opening balance	31,407,130	26,532,671
Additions	58,401	3,987,430
Rehabilitation provision	-	887,028
Exchange differences	(721,201)	-
Closing balance	<u>30,744,330</u>	<u>31,407,129</u>

The Company has considered whether there are any conditions indicating impairment of this asset.

The methodology adopted at 30 June 2023 has been applied at 31 December 2023 with the following key assumptions:

- NdPr price (75% achievement used) USD129,000/t
- AUD:CAD Exchange Rate 0.88
- AUD/USD Exchange rate 0.66
- Discount rate (pre-tax) 16.5%
- Timing of commencement of mining – this has been delayed 12 months from the previous assessment to allow the company to undertake its planned development activities during calendar year 2024.

Based on this analysis, the directors believe there are currently no grounds for impairment.

NOTE 11: GOVERNMENT LOANS

	31 December	30 June
	2023	2023
	\$	\$
Current	139,759	143,037
Non-current	451,948	3,391,939
Total Government loans	<u>591,707</u>	<u>3,534,976</u>

During the half year Government Loans were reduced by \$2,898,955 from the deconsolidation of VMCL.

The remaining loan balance at 31 December 2023 is a loan from the Canadian Northern Economic Development Agency (CanNor). Full details of this loan are set out in the 30 June 2023 Annual Report. This loan is being repaid in accordance with an agreed repayment schedule.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 12: FINANCIAL LIABILITIES

	31 December	30 June
	2023	2023
	\$	\$
Current		
Insurance finance - current	45,390	-
Lease liabilities - current	264,425	674,929
Total Current Financial liabilities	<u>309,815</u>	<u>674,929</u>
Non-Current		
Lease liabilities - non-current	137,225	2,831,261
Total Non-Current Financial liabilities	<u>137,225</u>	<u>2,831,261</u>
Total Financial liabilities	<u>447,040</u>	<u>3,506,190</u>

NOTE 13: CHANGES IN EQUITY SECURITIES ON ISSUE

Movements in shares on issue during the half year

	Number of	\$
	Shares	
Beginning of the half year	5,306,149,751	150,394,157
Issued during the half year:		-
- Shares issues on placement, net of transaction costs*	588,917,200	4,460,193
End of the half year	<u>5,895,066,951</u>	<u>154,854,350</u>

* - On 18 December 2023, the Company issued 588,917,200 shares at an issue price of \$0.01 to Shenghe pursuant to a Subscription Agreement dated 20 November 2023.

Movements in options on issue during the half year

	Options
Beginning of the half year	435,500,000
Granted during the half year:	
- Exercisable at 1.5 cents and expiring 23 November 2024	200,000,000
- Exercisable at 0.85 cents and expiring 20 December 2027	60,000,000
- Exercisable at 1.5 cents and expiring 20 December 2027 ⁽¹⁾	200,000,000
- Exercisable at 0.85 cents and expiring 11 January 2028 ^{(1) (2)}	30,000,000
- Exercisable at 1.5 cents and expiring 11 January 2028 ⁽¹⁾	40,000,000
- Exercisable at 0.85 cents and expiring 11 January 2028 ^{(1) (2)}	30,000,000
End of the half year	<u>995,500,000</u>

Notes:

1. these options were granted during the half-year but were issued after the half-year
2. these options have different vesting conditions

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 14: SHARE BASED PAYMENTS

Vital Metals Limited has granted the following share-based payments to director, lenders and adviser. Set out below are summaries of the options granted:

	Consolidated	
	31-Dec-23	
	Number of options	Weighted average exercise price (\$)
Outstanding at the beginning of the half year	435,500,000	0.027
Director - Granted	60,000,000	0.0085
Lenders - Granted	200,000,000	0.015
Adviser – Granted	200,000,000	0.015
Employee - Granted	30,000,000	0.0085
Consultant - Granted	40,000,000	0.015
Consultant - Granted	30,000,000	0.0085
Outstanding at half year-end	995,500,000	
Exercisable at half year-end	645,500,000	
Un-exercisable at half year-end (subject to vesting conditions)	150,000,000	
Un-exercisable at half year-end (subject to shareholder approval)	200,000,000	

The weighted average remaining contractual life of share options outstanding at the end of the half year was 1.57 years (2022: 1.99 years), and the exercise price ranges from 0.85 cents to 7.0 cents.

The fair value of options issued during the half year ended 31 December 2023 were calculated by using a Black-Scholes pricing model, applying the following inputs.

	Lenders	Director	Adviser
Grant dated	23 November 2023*	16 October 2023	21 September 2023
Number Issued	200,000,000	60,000,000	200,000,000
Share price at grant date	\$0.01	\$0.01	\$0.01
Exercise price	\$0.015	\$0.0085	\$0.015
Life of options (years)	1	4.18	3***
Vesting Period (years)	Nil	3**	Nil
Expected share price volatility	95%	80%	80%
Weighted average risk free interest rate	4.205%	3.95%	4.04%
Fair value per option	\$0.00256	\$0.00652	\$0.00442

* - Grant dates were over 3 days 21 to 23 November

** - Vesting period is over 3 years, subject to continuous employment

*** - Life of options will be 3 years from issue date. Issue is subject to shareholder approval which had not been obtained at 31 December 2023.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 14: SHARE BASED PAYMENTS (continued)

	Employee	Consultant	Consultant
Grant dated	31 July 2023*	10 October 2023	29 November 2023
Number Issued	30,000,000	40,000,000	30,000,000
Share price at grant date	\$0.01	\$0.01	\$0.01
Exercise price	\$0.0085	\$0.015	\$0.0085
Life of options (years)	4.45	4.18	4.12
Vesting Period (years)	2*	1**	3***
Expected share price volatility	80%	80%	80%
Weighted average risk free interest rate	3.87%	3.92%	4.09%
Fair value per option	\$0.00666	\$0.00541	\$0.0065

* - One third vested on the grant date, the balance of the vesting period is over 2 years, subject to continuous employment

** - Vesting period is over 1 year, subject to continuous employment

*** - Vesting period is over 3 years, subject to continuous employment.

(b) Amounts arising from share-based payment transactions

Total amounts arising from share-based payment transactions recognised in the profit and loss during the period were as follows:

	December 2023 \$	December 2022 \$
<i>Included in Share-based payments expense</i>		
• Options issued to a director (unvested)	49,698	27,277
• Options issued to employees and consultants (vesting)	167,293	-
• Options issued to employee (vested)	23,810	89,424
	240,801	116,701
<i>Included in Finance and loan expenses</i>		
• Options issued to Lenders (vested)	510,883	-
Total Share-based payments expenses includes in the profit and loss	751,684	116,701
Total amounts arising from share-based payment transactions recognised as share issue expenses and included as part of net Share Capital during the period were as follows:		
• Options issued to Corporate Adviser (no vesting conditions)	883,627	-
	883,627	-
Total amounts recorded relating to share-based payments reserve	1,635,311	116,701

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 15: COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group has capital commitments of \$Nil due in the next 12 months (30 June 2023: \$3,881,154).

Contingencies

The contingency relating to the guarantee provided to the trustee of VMCL in respect of the outstanding lease liability has been extinguished.

As part of a strategic review process of the Company's wholly-owned subsidiary, Vital Metals Canada Limited ("VMCL") (the owner of the Saskatoon Facility) (refer Note 16), the Company engaged in dialogue with REEtec to amend the Offtake Agreement to address changes in key economic and technical conditions that are beyond the control of Vital and which would cause unfair hardship to Vital if the Offtake Agreement continued in force on its existing terms, as well as discussing other alternative options with REEtec. During the half-year, Vital issued a Notice of Termination under the Offtake Agreement, which was delivered to REEtec on 28 September 2023 (Australian time). The Offtake Agreement terminated on 26 December 2023. REEtec has indicated that it does not agree with Vital's assessment that it has suffered unfair hardship, nor does it consider the Notice of Termination to be valid. REEtec has therefore reserved its rights in that regard, which may include arbitration proceedings.

During the half-year, the Company entered into a Subscription Agreement with Shenghe for the issue of 588,917,200 shares at an issue price of \$0.01 (refer Note 12). As part of the Subscription Agreement, Shenghe has been granted a right to acquire up to a further 591,668,698 Shares at a subscription price of \$0.015 per Share. This right is subject to shareholder and Government approvals and must be exercised by 18 December 2024.

In addition, as part of an Investor Rights Agreement entered into at the same time as the Subscription Agreement, Shenghe has the right to nominate one person as a non-executive director to the Board.

Other than the above, there have been no material changes to commitments and contingencies since the previous annual report.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 16: DISCONTINUED OPERATIONS

Description

In April 2023, the Company initiated a strategic review process to investigate potential pathways for the long-term future and viability of its rare earth processing facility owned by Vital Metals Canada Limited ("VMCL") located in Saskatoon, Saskatchewan, Canada (the "Saskatoon Facility"). Following this review, the completion of the Saskatoon Facility and plan to produce an intermediate product was found not to be economic. As a result, on 29 September 2023 (28 September 2023 Canada time) the Company placed VMCL into bankruptcy .

In the directors' opinion from the time of the appointment of the trustee in bankruptcy to VMCL, the directors no longer had control over the assets and undertakings of VMCL and, as a result, VMCL was deconsolidated from the consolidated group on 29 September 2023.

At the date of deconsolidation:

- VMCL had cash reserves of \$366,153 (including bank guarantees);
- The assets of VMCL had largely been impaired at 30 June 2023 and the carrying value of assets at that date (including cash) totalled \$912,569; and
- The liabilities of VMCL totalled \$48,612,602, including loans payable to the group of \$40,932,946.

Accounting Policy

A discontinued operation is a component of consolidated entity where the operations and cashflows can clearly be distinguished from the rest of the group, and which:

- represents a separate major line of business or geographical area of operations; and
- is part of a Single co-ordinated plan to dispose of such a line of business or area of operation; or
- is a subsidiary acquired exclusively for resale; or
- is a subsidiary with separate operations where there has been a loss of control, for example by the appointment of a trustee in bankruptcy.

Classification as a discontinued operation occurs at the earlier of the date of disposal, the date the operation meets the criteria to be classified as held for resale, or the date of loss of control, in the case of the appointment of a trustee in bankruptcy.

When an operation is classified as a discontinued operation, the comparative statement of profit and loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 16: DISCONTINUED OPERATIONS (continued)

Financial performance information

The results of the discontinued operations included in the consolidated comprehensive income statement are set out below.

	Note	Consolidated	
		December 2023	December 2022
		\$	\$
Other Income		756	8,853
Expenses		(104,631)	(1,059,853)
Net loss to date of deconsolidation		(103,875)	(1,051,000)
<i>Deconsolidation amounts</i>			
Gain on deconsolidation	(a)	46,699,337	-
Provision for doubtful debts	(b)	(39,251,956)	-
Net gain on deconsolidation		7,447,381	-
Profit/(Loss)before income tax)		7,343,506	(1,051,000)
Attributable income tax expense		-	-
Profit/(loss) for the period from discontinued operations (attributable to owners of the company)		7,343,506	(1,051,000)

Notes:

- (a) The gain on deconsolidation is calculated based on the net assets of VMCL at the date of deconsolidation. This totalled a net liability position of \$46,699,337. As a result of the deconsolidation, the group no longer has to repay these liabilities. The net assets of VMCL included a provision for impairment of the Saskatoon plant of \$42,892,519 which was included in the 30 June 2023 Annual Report.
- (b) As a result of the deconsolidation of VMCL, intercompany amounts owed by VMCL at the date of deconsolidation were fully provided for.

Cashflow information

The cashflows of the discontinued operations included in the consolidated cashflow statement are set out below.

	Note	Consolidated	
		December 2023	December 2022
		\$	\$
Cashflows from discontinued operations			
Net cash outflows from operating activities		(311,153)	(730,313)
Net cash outflows from investing activities		(312,476)	(14,186,169)
Net cash inflows from investing activities		-	5,610,784
Net Cash Outflows		(623,629)	(9,305,698)

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 17: RELATED PARTY TRANSACTIONS

On 22 December 2023, the Company issued the following to KMP, Geordie Mark (Managing Director):

- **No. of options:** 60,000,000
- **Term:** 4 years from date of issues
- **Exercise price:** \$0.0085
- **Vesting period:** 1/3 at a time over the first 3 years after issue, subject to continued employment.

These options will be deemed to have fully vested in the event of change of control of the Company.

There have been no other material changes in related party transactions since 30 June 2023.

NOTE 18: EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

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VITAL METALS LIMITED
31 DECEMBER 2023

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 9 to 29 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 2023 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Vital Metals Limited 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.



Richard Crookes

Chairman

Sydney, 14 March 2024

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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 2023, 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, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1.1 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.

Responsibility of the directors for the 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 for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2023 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*.

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.

BDO Audit (WA) Pty Ltd



Neil Smith
Director

Perth, 14 March 2024

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