

VITAL METALS' JUNE 2023 QUARTERLY REPORT

Highlights

- Resource definition drilling at Tardiff deposit returns large intersections of total rare earth oxides (TREO) from initial results of 74-hole, 6,664m resource definition drilling program.
- First 17 infill drillholes return 35+ intervals greater than 1% TREO, confirming strong REO mineralisation in the drilling area.
- Initial results include:
 - 14.0m at 2.8% TREO from 76m;
 - 20.45m at 2.2% from 6.25m; and
 - 38.25m at 1.7% TREO from 21.35m.
- Drilling aimed to increase confidence of the Tardiff Zone 1 and 3 resource areas from Inferred to Measured and Indicated Mineral Resources.
- Assay results from the remaining 57 holes are expected in Q3 CY2023.
- Vital is focused on developing the large-scale Tardiff deposit, one of the largest single rare earths deposits in the western World, estimated to contain 416,000 tonnes of permanent magnet minerals neodymium and praseodymium (NdPr)¹.
- Strategic Review of Saskatoon Rare Earth Processing Facility commenced and largely completed.

Vital Metals Limited (ASX: VML | OTCQB: VTMXF) (“Vital”, “Vital Metals” or “the Company”) is pleased to report on its activities during the June 2023 quarter, including at its 100%-owned Nechalacho Rare Earth Project in Yellowknife, Northwest Territories, Canada.

NECHALACHO RARE EARTHS PROJECT, NORTHWEST TERRITORIES, CANADA

In May, Vital announced positive initial results for the first 17 drill holes from its 2023 resource definition drilling program completed at the Tardiff deposit at Nechalacho².

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 and the 2023 drilling program aimed to assist development of this world-class light rare earth deposit.

Vital’s successful drill program consisted of 74 drillholes for 6,664m (Figure 1), expanding on drilling completed in 2021 and 2022. The 2023 program aimed to increase the Measured and Indicated

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

components of the 2023 Mineral Resource Estimate, focusing on the Tardiff Upper Mineralised Zone above the 150RL which is held by Vital. Vital’s 2023 resource definition drilling program was drilled on a nominal 50m by 50m grid to infill areas previously drilled by Avalon Advanced Materials Inc on nominal 100m to 200m drill spacing.

Vital received assay results for 17 drillholes (1,534m) (Figure 2), confirming previous geological interpretations of mineralisation in the Inferred resource areas and a better understanding of the rare earth mineralisation at Tardiff.

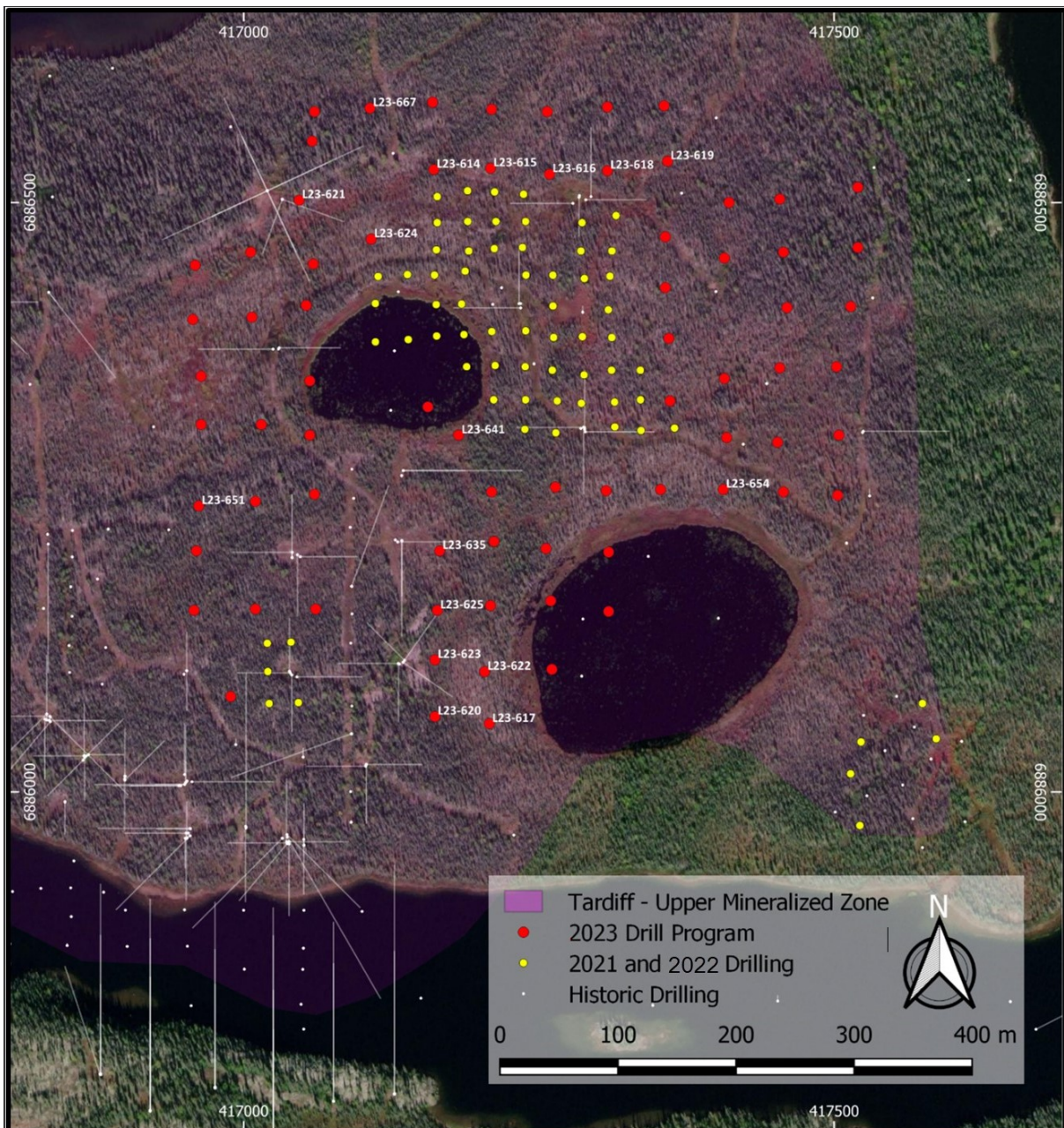


Figure 1: Plan view of 2023 Tardiff drill program, showing locations of 2021-2022 drilling and historical holes.

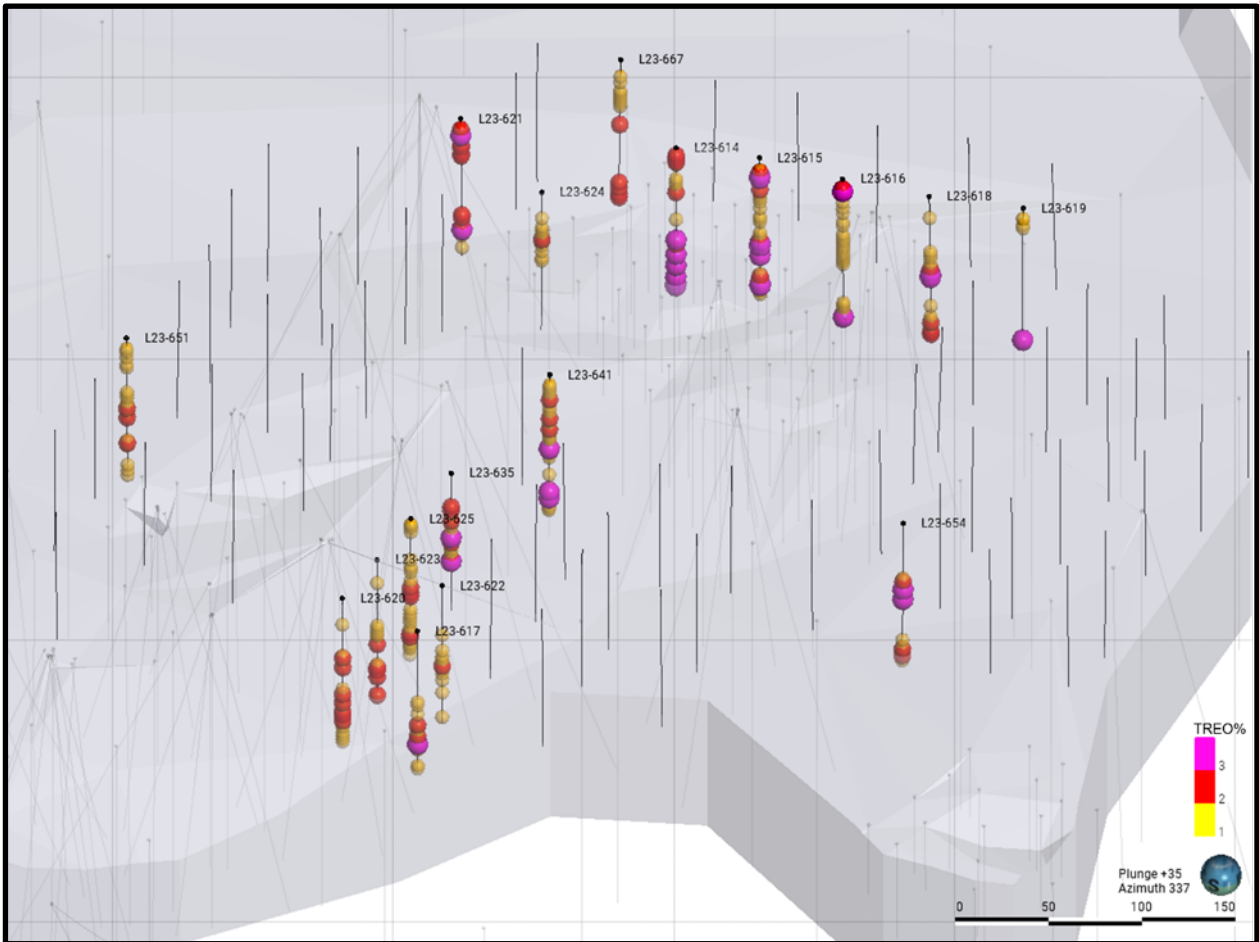


Figure 2: Selected results for assays from the first 17 drillholes from the winter 2023 drill program. Grey outline indicates extent of the February 2023 Mineral Resource Estimate; Assay results: Yellow 1-2% TREO, Red 2-3% TREO and Fuchsia >3% TREO.

Results received during the quarter from the northern portion of the drill program consist of relatively broad zones of near-surface mineralisation, generally ~10 to 40m from surface, with TREO grades above 1%. Results included:

- L23-621: **20.45m at 2.2% TREO from 6.25m;**
- L23-615: **35.55m at 1.7m TREO from 7.3m;**
- L23-624: **13.7m at 1.8% TREO from 22m.**

In addition, the northern drillholes indicate zones of deeper mineralisation just above the 150RL boundary of Vital’s ground as demonstrated by the following intercepts:

- L23-614: **14.0m at 2.8% TREO from 76m;**
- L23-615: **14.8m at 2.1% TREO from 75.2m;**
- L23-618: **13.0m at 1.9% TREO from 77m;**

Results from the southern portion of drillholes confirm significant zones of mineralisation as indicated by the following intercepts:

L23-620: **28.0m at 1.7% TREO from 66m;**
 L23-625: **26.8m at 1.5% TREO from 58.8m;**
 L23-635: **38.25m at 1.7% TREO from 21.35m.**

Full results are included in Table 1 in Appendix 1.

Logging, processing and assaying of core from the remaining 57 drillholes in Vital’s 2023 resource definition drilling is ongoing with all the assay results expected in Q3 CY2023. Following which, an updated independent Mineral Resource Estimate will be compiled and announced.

SASKATOON RARE EARTH PROCESSING FACILITY, CANADA

With the pause in construction announced in April, demobilisation of contractors and consultants took place during the quarter. Filter presses and centrifuge installation was finalised. Those items of plant and equipment that had been ordered and substantially paid for at the beginning of the quarter, had their remaining amounts paid and items received, contributing to the significant cash depletion during the Quarter. Engineering and construction turnover packages were provided.

Upon full demobilization, the Saskatoon team took care of cleaning and securing the site, preserving the assets and advancing plans for an orderly project restart.

Current Project status is:

Engineering	80% complete
Procurement	85% complete
Construction	50% complete

The Company aims to provide an update on the strategic review process to investigate potential pathways for the long-term future and viability of Vital’s rare earth processing facility early in Q3.

Upcoming Catalysts

Assay results from the 2023 drilling campaign	Q3 CY2023
Update to Tardiff Mineral Resource Estimate	Q4 CY2023
Tardiff Scoping Study	By Q1 CY2024

OTHER PROJECTS

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

CORPORATE

The Company continues to conduct an international search for a new CEO with experience that can drive the strategy, and is currently working with a short list of potential appointees.

Mr Eben Visser has resigned as Chief Operations Officer. With the focus of the group on the development of the Tardiff Deposit, it is anticipated that a replacement will not be sought.

Cash position

As of 30 June 2023, the Company held approximately \$3.3m in cash.

During the quarter, the Company made payments of \$73k to related parties and their associates. These payments relate to existing remuneration agreements for the Non-Executive Directors.

During the quarter, Vital spent \$1,911k on exploration and evaluation expenditure and mine under development costs. Details of activities carried out during the quarter are set out in this report.

TENEMENT SCHEDULE

Location	Tenement	Status	Interest at beginning of quarter	Interest acquired or disposed	Interest at end of quarter
Canada	Nechalacho	100%	100%	0%	100%
Burkina Faso	Nahouri	100%	100%	0%	100%
	Kampala	100%	100%	0%	100%
	Zeko	100%	100%	0%	100%
Germany	Aue	100%	100%	0%	100%
Tanzania	Wigu Hill	0%**	0%	0%	0%

* Vital owns 100% of the mineral rights of the Nechalacho Project above the 150 m elevation level.

** Vital has entered into an agreement to acquire this licence. The Company is awaiting the issuance of the licence by the Tanzanian Government.

ENDS

Contact

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This announcement has been approved by the Board of Vital Metals Limited.

About Vital Metals

Vital Metals Limited (ASX: VML) is developing the large Nechalacho Rare Earth Project in Canada's Northwest Territories. Nechalacho has the potential to underpin a significant rare earths supply chain for North America and Europe with responsibly sourced critical minerals for the green economy transformation.



ASX Listing Rule Information

This announcement 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.

This announcement 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. 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.

Appendix 1

Table 1: Intercepts above 1% TREO for the initial 17 drill-holes of the 2023 resource definition drilling.

*NSR – No Significant Result.

Hole ID	From	To	Length	TREO%
L23-614	4	11.8	7.8	2.3
L23-614	19.3	30	10.7	1.3
L23-614	58	64	6	2.6
L23-614	76	90	14	2.8
L23-615	7.3	42.85	35.55	1.7
L23-615	48	67	19	2.1
L23-615	75.2	90	14.8	2.1
L23-616	5.8	19.5	13.7	1.5
L23-616	27	31	4	1.1
L23-616	35	56	21	1.4
L23-616	79	90	11	1.8
L23-617	45	49	4	1.3
L23-617	59.9	73.6	13.7	1.6
L23-618	35	53.25	18.25	1.7
L23-618	77	90	13	1.9
L23-619	NSR*			
L23-620	36.7	46.25	9.55	1.8
L23-620	66	94	28	1.7
L23-621	6.25	26.7	20.45	2.2
L23-621	70.4	77.6	7.2	2.4
L23-622	44.8	58	13.2	1.4
L23-623	42	50.85	8.85	1.2
L23-623	67	77.15	10.15	2.1
L23-624	22	35.7	13.7	1.8
L23-625	3.1	9.5	6.4	1.5
L23-625	43.25	52	8.75	2.1
L23-625	58.8	85.6	26.8	1.5
L23-635	21.35	59.6	38.25	1.7
L23-641	5.9	54.45	48.55	1.5
L23-641	73	88.6	15.6	1.9
L23-651	6.4	13.5	7.1	1.1
L23-651	34	52	18	1.5
L23-651	65	70.25	5.25	1.6
L23-654	35	53	18	1.9
L23-654	75	90	15	1.7
L23-667	19.4	31	11.6	1.2
L23-667	79	90	11	2.1

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

VITAL METALS LIMITED

ABN

32 112 032 596

Quarter ended ("current quarter")

30 JUNE 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(13)	(164)
(b) development	-	-
(c) production / inventory	(1,468)	(1,595)
(d) staff costs	(532)	(1,846)
(e) administration and corporate costs	(1,439)	(3,959)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	36	202
1.5 Interest and other costs of finance paid	(1)	(7)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	26
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(3,417)	(7,343)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(10,181)	(31,803)
(d) exploration & evaluation, mine properties	(1,911)	(10,802)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(12,092)	(42,605)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	45,000
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	160
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(2,319)
3.5 Proceeds from borrowings	-	5,868
3.6 Repayment of borrowings	(36)	(36)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (repayment of lease liabilities)	(211)	(769)
3.10 Net cash from / (used in) financing activities	(247)	47,904

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	18,851	5,158
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,417)	(7,343)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(12,092)	(42,605)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(247)	47,904

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	187	168
4.6	Cash and cash equivalents at end of period	3,282	3,282

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,073	17,750
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other: Term Deposits pledged against bank transactional facilities	1,209	1,101
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,282	18,851

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	73
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Payments made above are for Directors Fees.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	6,864	6,864
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	6,864	6,864
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Cheetah Resources Corp has received an unsecured loan of C\$1.26m from the Canadian Northern Economic Development Agency ("CanNor"), with no interest payable. The repayment period is in equal quarterly payment over 10 years commenced 1 April 2023.</p> <p>Vital Metals Canada Limited has signed an interest-free, unsecured loan agreement with Prairies Economic Development Canada (PrairiesCan) for C\$5m. The repayment period is in equal monthly payments over 5 years commencing 1 April 2025.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,417)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,911)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(5,328)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,282
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,282
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.6
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: The entity expects operating expenditure to be dramatically reduced in the next Quarter. As reported on 19 April, 2023 all construction-related activities at the Saskatoon processing facility have been paused, with cash outlays tailing off since then. In addition, Tardiff drilling was completed during the quarter (refer announcement of 30 May 2023) thereby reducing net operating costs and exploration & evaluation expenditure.</p>	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company is currently voluntarily suspended pending an announcement regarding the completion of the strategic review of the Saskatoon Processing Facility, and a financing announcement.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Post review and funding, the Company expects to be able to continue its operations and to meet its business objectives.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2023

Authorised by: The Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.