# VITAL METALS LIMITED

**ABN 32 112 032 596**

**ANNUAL REPORT**
**FOR THE YEAR ENDED**
**30 JUNE 2023**

**DIRECTORS**
Richard Crookes - Non-Executive Chairman (interim)
James Henderson - Non-Executive Director
Paul Quirk - Non-Executive Director
Lisa Riley – Non-Executive Director

**COMPANY SECRETARY**
Ms Louisa Martino

**BANKER**
National Australia Bank Ltd
Level 14
100 St Georges Tce
Perth, WA, 6005

**AUDITORS**
BDO Audit (WA) Pty Ltd
Level 9
Mia Yellagonga Tower 2
5 Spring Street
Perth, WA, 6000

**REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**
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Telephone: +61 2 8029 0676
Website: www.vitalmetals.com.au
Email: vital@vitalmetals.com.au

**STOCK EXCHANGE**
The Company's securities are quoted on the official list of the Australian Securities Exchange Limited (ASX code: VML)

**SHARE REGISTRY**
Automic Registry Services
Level 5
191 St Georges Terrace
Perth, WA, 6000
Telephone: 1300 288 664

Dear Fellow Shareholders,

Welcome to the 2023 Annual Report for Vital Metals Limited as we reflect on our progress in developing one of the world's largest single rare earth deposits – Tardiff – at our Nechalacho Rare Earths Project in Northwest Territories (NWT), Canada over the past 12 months.

It's been a mixed year for Shareholders, and a challenging one for your directors. The year commenced with a ramp-up in construction of the demonstration rare earth processing facility in Saskatoon, Saskatchewan, supported by a A$45m capital raise. This funding was earmarked for construction of the plant, from which it was planned for Vital to become the first producer of rare earths (in the form of a mixed rare earth carbonate, MREC) from Canada before year-end. This was obviously a key milestone many Shareholders were looking forward to seeing delivered.

The investment also brought about significant change to the Board, with new directors Lisa Riley, Paul Quirk and me joining, with Evan Cranston and Geoff Atkins departing. There were also many changes to the executive management team and unfortunately, staff turnover continued throughout the year as we paused construction on the Saskatoon plant in April.

Construction at Saskatoon advanced, such that by the end of April, engineering was 90% complete, procurement 80% complete and construction 50% complete, with C$32.6m spent, before activities were paused pending a strategic review by the Board. The major components installed include the initial calcine circuit, DMS, calcine leaching, purification and rare earth carbonate precipitation circuits. Items to be completed include residual detailed engineering work, procurement of hydrometallurgical instrumentation, piping and valves, and mechanical installation, piping and EC&I.

Since the commencement of construction, the economics of the Saskatoon processing facility have changed substantially, as rare earth prices have fallen, costs have escalated and more information concerning the Project has become available. The economic and technical conditions relevant to the Offtake Agreement with REEtec have changed fundamentally, such that Vital could not deliver NdPr to REEtec in the manner contemplated in the agreement without facing hardship. In April, Vital initiated formal contract discussions with REEtec to work towards adjusted offtake terms that are commercially viable and technically feasible for both parties. Unfortunately, REEtec and Vital were unable to agree amended terms, resulting in a decision to terminate the Offtake Agreement, primarily due to the prospect of further economic hardship faced by Vital if it was forced to fund completion of the project and operate without amended offtake terms. Vital has sought alternate funding to complete the plant, whilst the facility remains incomplete on care & maintenance, however the Board has exhausted avenues to keep that part of the business solvent. After the reporting period, Vital Metals Canada Limited (VMCL), the entity which owns and operates solely the Saskatoon business, was passed into voluntary liquidation and is now under the control of a Trustee, who will manage the realisation of assets and return of capital to creditors, the largest of which is Vital Metals Ltd (Vital or VML).

The strategic review confirmed that Tardiff, owned 100% by VML subsidiary Cheetah Resources Canada, is a globally significant rare earth deposit, and we look forward to 2024 with renewed confidence and expectation that the project will continue to advance towards production.

We've completed several milestones in Tardiff's development in FY23, including an updated Mineral Resource Estimate (MRE), which saw Vital achieve a 26% increase in Mineral Resource tonnes and a 20% increase in total rare earth oxides ("TREO") tonnes. This update confirmed Tardiff as one of the largest single rare earth element deposits outside China, with the potential to be one of the largest suppliers of permanent magnet motor minerals in North America. It is now estimated to contain 1.67 million tonnes of TREO within a total mineral resource of 119.0 million tonnes at 1.4% TREO, including 416,000 tonnes of neodymium and praseodymium (NdPr), a 19% increase over the previous MRE estimate dated 13 December 2019.

To build on this, we embarked on a drilling program to expand on drilling completed in 2021 and 2022, aiming to increase the Measured and Indicated components of the 2023 Mineral Resource Estimate, focusing on the Tardiff Upper Mineralised Zone above the 150RL which is held by Vital. This program concluded in mid-April, with a total of 6,667 metres completed (21% above plan). Initial results from this program demonstrated relatively broad zones of near-surface mineralisation, generally ~10 to 40m from surface, with grades up to 2.8% TREO and results consistently above 1% TREO. We have more results to come from this program over the next few months but we hopewill continue to show the massive potential and importance of Tardiff to the global rare earths supply chain, underlying our plans for future development.

We plan to complete a Scoping Study for Tardiff in CY2024, from which we can build a plan for our next steps at Nechalacho. In addition, a similar-scale drilling program is anticipated for 2024, focusing on infill drilling in an effort to raise the classification and confidence in the large Tardiff Deposit.

In addition, Vital continues to crush and sort the ore from its initial mining campaign at North T. This will continue over the next couple of years, with a further mining campaign to be conducted thereafter.

As mentioned earlier, our Management team has seen a number of changes over the past 12 months as we continue to seek candidates with the necessary skills, knowledge and experience to drive Vital's development towards success. We have made several key hires in Canada across health and safety, geology and operations and we are already seeing benefits from the inclusion of these dedicated and experienced professionals, including Steve Woolfenden as our Vice President, Sustainability. We continue to search for a suitable Chief Executive Officer following John Dorward's resignation earlier this year and expect to make an announcement once the Company is re-capitalised and the Company's shares resume trading on ASX. At Board level, Paul Quirk and I joined early in FY23 as a result of Lionhead Resources Fund's investment in Vital while Canadian-based Lisa Riley joined as a Director in December 2022 and has already demonstrated immense commitment to the role, for which I am grateful. I thank all my fellow Directors for their efforts, as well as our management and staff that continue to work towards our goals.

I would also like to thank our shareholders who have continued to support Vital through the challenges and changes of the past year. Your Board has worked diligently to find the best possible outcome for Vital Metals and we believe the outlook is promising, as we return our focus to Tardiff.

We are working to provide Vital with a clearer and more straight forward path to development at Tardiff to enable our company to play a strategic role in the global rare earths supply chain, and we expect to take critical steps toward this in the year to come. I look forward to keeping you updated of our progress and hope you will continue to share our journey.

Yours sincerely

R.A. Crooks

**Richard Crookes**
Interim Chairman

**Nechalacho Rare Earths Project, Canada**

Vital announced a pivot to a sharper focus on advancing its world-class Tardiff Deposit at the Nechalacho Project in Canada's Northwest Territories, following management changes and a review of the Saskatoon processing facility.

Vital updated the Mineral Resource Estimate ("MRE") for the Tardiff Upper Zone ("Tardiff") at Nechalacho in February, achieving a 26% increase in Mineral Resource tonnes and a 20% increase in total rare earth oxides ("TREO") tonnes.

Tardiff is estimated to contain 1.67 million tonnes of TREO within a total mineral resource of 119.0 million tonnes at 1.4% TREO, including 416,000 tonnes of neodymium and praseodymium (NdPr), a 19% increase over the previous MRE estimate dated 13 December 2019. This updated MRE confirms Tardiff as one of the largest single rare earth element deposits in the Western World, with the potential to be one of the largest suppliers of permanent magnet motor minerals in North America.

*Table 1: Tardiff Upper Zone Deposit – Mineral Resource Estimate at 1.0% cut-off (31 December 2022)*

| Cut-off Grade[1] % TREO | Category | Tonnage (Mt) | TREO Grade (%) | NdPrO:TREO Ratio | $Nd_2O_3$ (%) | $Pr_6O_{11}$ (%) |
|---|---|---|---|---|---|---|
| 1.0 | Inferred | 108.1 | 1.39 | 25.1% | 0.28 | 0.07 |
| 1.0 | Indicated | 6.3 | 1.45 | 24.8% | 0.28 | 0.08 |
| 1.0 | Measured | 4.6 | 1.59 | 24.6% | 0.31 | 0.08 |
| **1.0** | **Total** | **119.0** | **1.40** | **25.1%** | **0.28** | **0.07** |

TREO = Total Rare Earth Oxides – $La_2O_3$, $CeO_2$, $Pr_6O_{11}$, $Nd_2O_3$, $Sm_2O_3$, $Eu_2O_3$, $Gd_2O_3$, $Tb_4O_7$, $Dy_2O_3$, $Ho_2O_3$, $Er_2O_3$, $Tm_2O_3$, $Yb_2O_3$, $Lu_2O_3$, $Y_2O_3$
NdPrO = Neodymium oxide and Praseodymium oxide: $Nd_2O_3+Pr_6O_{11}$

Total MRE tonnage (across all classifications) increased by approximately 26%, with a modest 4% decrease in TREO grade. Vital achieved the MRE increase by re-interpreting cut-off grades and including the Tardiff Zone 2 area in the resource, as well as including an additional 4,483 metres of drilling from the 2021 and 2022 campaigns. Vital chose a cut-off grade percentage of the entire suite of rare earth oxides rather than the previous practice of using a Nd2O3-based cut-off grade value. The MRE was interpolated using Ordinary Kriging.

The TREO mineralisation at Tardiff Is hosted by hydrothermally altered eudialyte syenite and is predominantly composed of bastnaesite, synchysite, parisite, fergusonite, samarskite, allanite, and monazite. Tardiff is approximately 2km long, and the highest limit of the MRE is covered with glacial till that ranges in depth from the surface to 10 metres.

The Tardiff MRE was developed and reported in accordance with the Australasian Code of Reporting Exploration Results, Mineral Resources, and Ore Reserves (the JORC 2012 edition) and Chapter 5 of the ASX Listing Rules.

Following this, Vital embarked on a drilling program to expand on drilling completed in 2021 and 2022. The 2023 program aimed to increase the Measured and Indicated components of the 2023 Mineral Resource Estimate, focusing on the Tardiff Upper Mineralised Zone above the 150RL which is held by Vital. This program concluded in mid-April, with a total of 6,667 metres completed (21% above plan).

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.

[1] The cut-off grade for this resource estimate is preliminary, at pre-scoping study level, as no detailed market, metallurgical or engineering studies have been performed. Details of the Sampling Techniques, Data, Reporting of Exploration Results and Estimation and Reporting of Mineral Resources can be found in Appendix 1 of the Company's announcement dated 14 February 2023 "Vital achieves 26% increase in Tardiff Mineral Resource tonnes and 19% increase in contained NdPr".

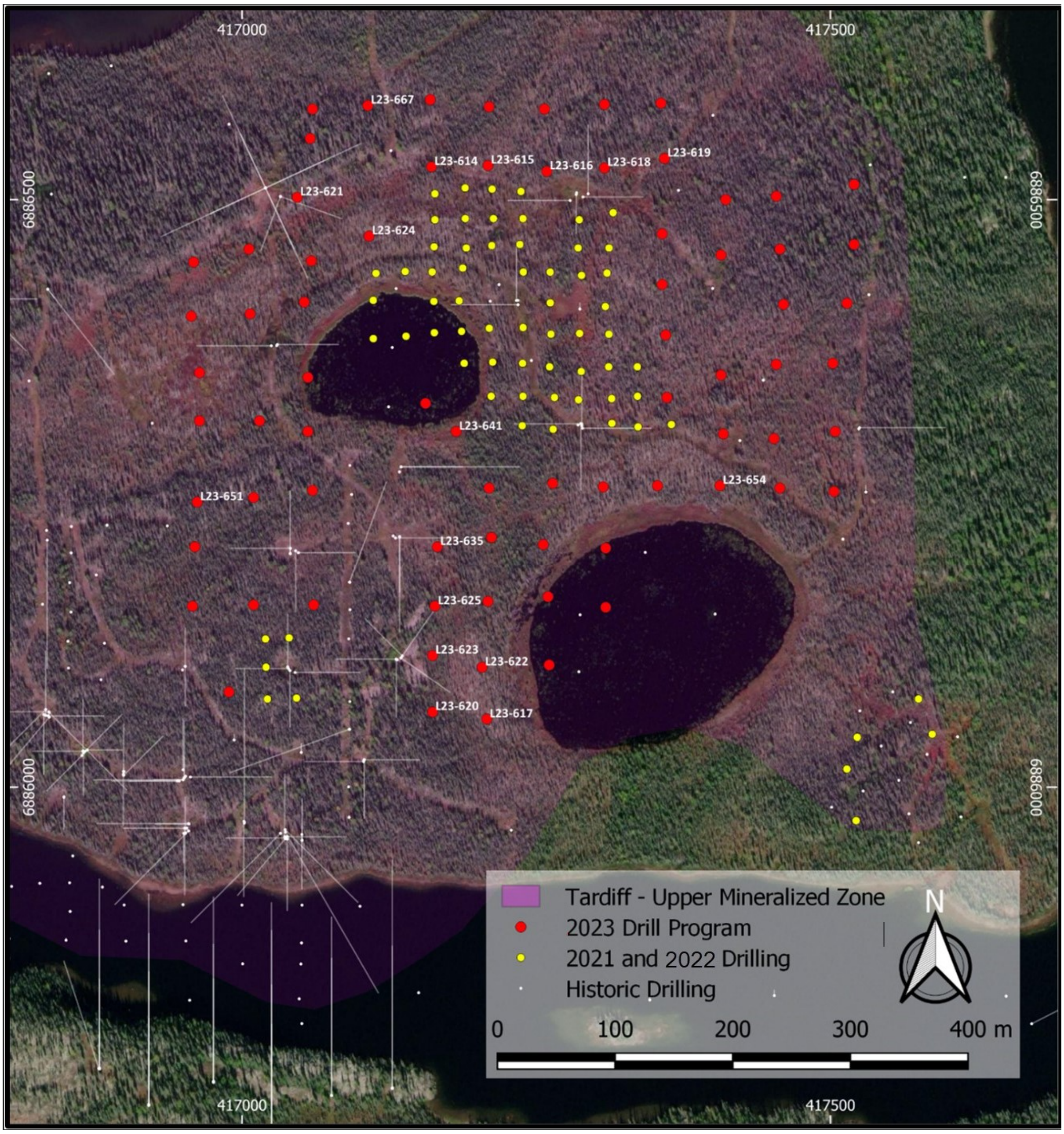


**Figure 1: Plan view of 2023 Tardiff drill program, showing locations of 2021-2022 drilling and historical holes.**

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

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 of the June 2023 Quarterly Report.

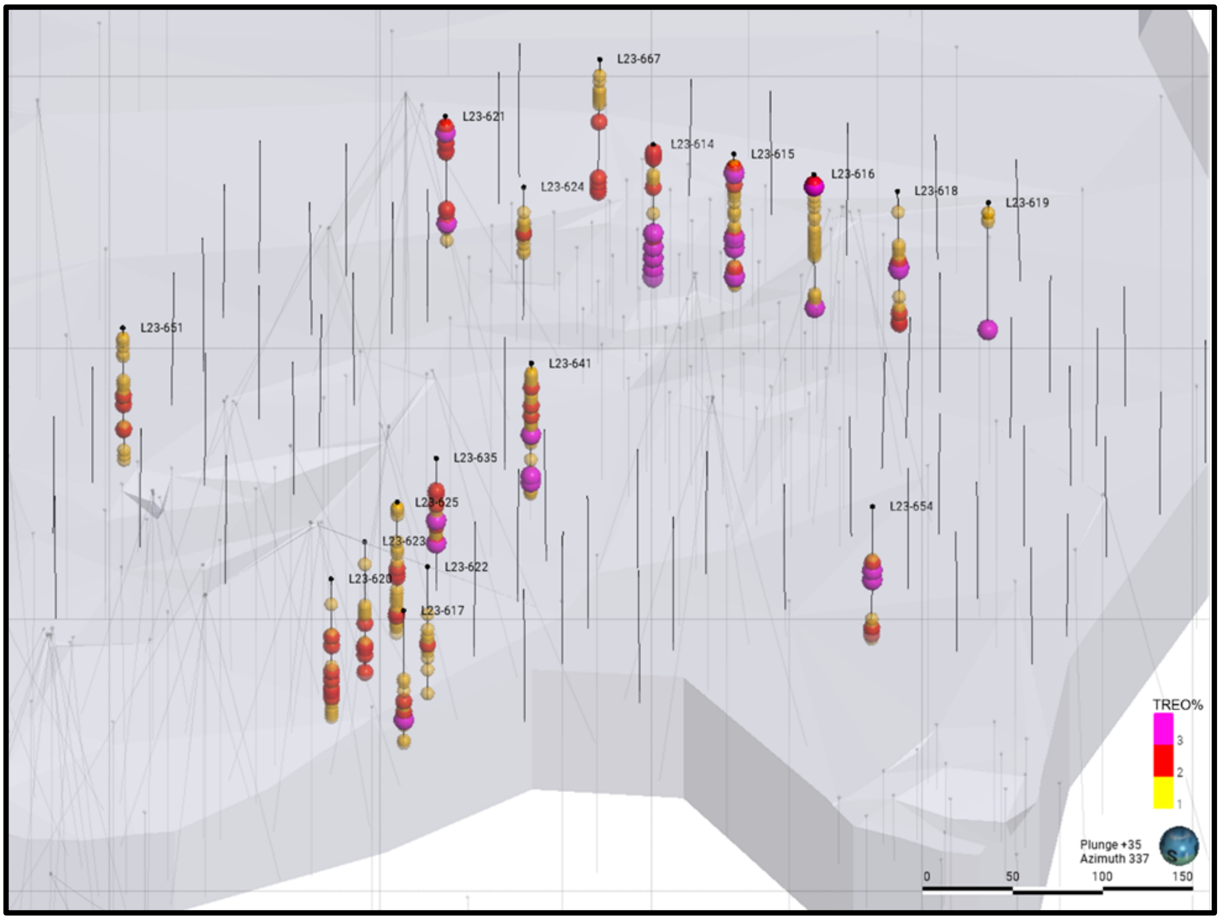


**Figure 2: Selected results for assays from the first 17 drillholes from the winter 2023 drill program. Grey outline indicates extent of the February 2023 Mineral Resource Estimate; Assay results: Yellow 1-2% TREO, Red 2-3% TREO and Fuchsia >3% TREO.**

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 Q4 CY2023. Following this, an updated independent Mineral Resource Estimate will be compiled and announced.

Metallurgical testwork completed during the year on mineralisation from Tardiff Zone 1 returned grades of up to 39.9% TREO after three beneficiation stages from an original feed grade of 2.4% TREO. The testwork demonstrated the ability to produce a high-grade concentrate from Tardiff material which is critical for cost-effective rare earth production.

In addition to the recently completed 2023 drilling program, Vital continued to advance the Tardiff Project development via:

- Integration of the historic Avalon Advanced Materials historic data with Vital's 2021 and 2022 drilling data into one unified geological database;
- A verification and validationof the historic data by a leading Canadian mining consulting group;
- Continued metallurgical testwork to support a preliminary processing flowsheet design selection.

Vital aims to complete an economic study on the Tardiff Project in the coming months. The study will examine the possibility to develop additional downstream processing steps in Canada, to a stage which maximises the economic returns to the Company.

A mining campaign was carried out at the Nechalacho, North T site in 2021. Local contract mining company Det'on Cho Nahanni Construction mined nearly 58,000 tonnes of ore from the North T pit at Nechalacho during a five-month mining campaign. Vital will again crush and sort the ore from this mining campaign starting in May 2024 and this will continue over the next couple of years, aided by a further mining campaign in the future, as required.

**Saskatoon rare earth extraction plant, Canada**

Vital unveiled its partially completed rare earth processing facility in Saskatoon, Canada in September 2022. The completion of the plant was originally planned for Q2 2023, but Vital deferred the hydrometallurgical leaching, purification and precipitation circuits to 2024 and investigated the potential to complete the calcine circuit with potential production and sale of an intermediate rare earths product, however it was unable to secure any sales agreements on commercially-satisfactory terms.

In April 2023, the Company paused all construction-related activities at Saskatoon to conserve cash while it sought alternative funding sources and partners. Contractors and consultants demobilised from site during the June quarter, while Vital incurred remaining costs for some items of plant and equipment that had been ordered, contributing to the significant cash depletion during the quarter. Engineering and construction turnover packages were provided. The site was cleaned and secured to preserve assets and the holding company was placed into voluntary liquidation as of 28th September, 2023 and MNP has been appointed as the Trustee. Despite the fact that the Saskatoon assets held by Vital Metals Canada Limited have been fully impaired in these financial statements, we hope to recover some value from the orderly liquidation of equipment.

**OTHER PROJECTS**

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

**CORPORATE**

**Equity raising**

In August 2022, Vital raised A$45 million via a targeted share placement. Vital completed the Placement at an issue price of A$0.04 per share via a share placement to institutional, sophisticated and professional investors via the issue of 1,125 million new fully-paid ordinary shares.

**Short-term loan**

Subsequent to year-end, Vital advised it had 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.

**Board changes**

Vital appointed Mr Richard Crookes and Mr Paul Quirk as Non-Executive Directors in August 2022, following completion of Tranche 1 of the A$45 million Placement, as nominees of Lionhead Resources Fund LLP (LHR).

Mr Crookes is managing partner of LHR and chairman of the Investment Committee. He has more than 35 years of global resource industry experience and is Chairman of Black Rock Mining (ASX:BKT) and a Non-Executive Director of Lithium Power International (ASX:LPI).

Mr Quirk is a partner at LHR and is responsible for originating new investment opportunities and building and maintaining investor relations. Mr Quirk has more than 15 years of private equity and operational experience in mining and other industries. Before LHR, Mr Quirk co-founded Lionhead Capital Partners, a multi-strategy principal investment firm focused on mining, real estate and private equity investing. He was one of the founding partners of Cora Gold, a gold exploration and development company operating in Mali.

Vital also appointed Ms Lisa Riley, based in Toronto, Canada, as a Non-Executive Independent Director to its Board. Ms Riley has nearly 30 years of experience in global capital markets, finance, mining advisory and government relations in Canada and Latin

America. She is a Non-Executive Director of Star Diamond Corp (TSX: DIAM), a Director of GFG Resources Inc (TSX-V: GFG) and a Chair of the Board of Tribeca Resources (TSX-V: TRBC).

In February 2023, Evan Cranston resigned from his role as Non-Executive Chairman and the Board of Directors to focus on other business interests.

Mr Crookes was appointed interim Non-Executive Chairman until Vital appoints a permanent replacement to the role.

**Management changes**

Vital appointed experienced finance and resources executive John Dorward as its Managing Director in November, following the departure of Geoff Atkins in August 2022, however Mr Dorward resigned in March 2023. The Company is undertaking an international search for a new CEO that can drive development of its Tardiff deposit, and is currently working with a short list of potential appointees.

Chief Financial Officer Damon Colbert joined Vital in September 2022 and Chief Operations Officer Eben Visser joined in October, however both resigned during the June quarter. With the focus of the group on the development of the Tardiff Deposit, it is anticipated that a replacement will not be sought.

Steven Woolfenden commenced as Vice President, Sustainability in the March quarter.

**Compliance Statements**

This Annual 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 Annual 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 26 May 2021, 9 March 2022, 9 June 2022, 22 July 2022 and 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.

The Company's Mineral Resources Statement has been compiled and is reported in accordance with the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC 2012 edition) and Chapter 5 of the ASX Listing Rules.

Vital's governance arrangements and internal controls for reporting its Mineral Resources Estimate include reporting on an annual basis and in compliance with the 2012 Edition of JORC and the ASX Listing Rules. The Competent Person is suitably qualified and experienced, as defined in the 2012 Edition of JORC.

**Nechalacho Rare Earths Project**

As of 30 June 2023, the Nechalacho Rare Earths Project has Mineral Resource Estimates, as defined in Tables 2 and 4 below.

An update to the Tardiff Upper Zone was released in February 2023 that included all the REO mineralisation above the 150RL greater than 1% TREO in the Tardiff Upper Zone. The updated Mineral Resource estimates for the Tardiff Upper Zone are stated in Table 2 below with the difference between the 2022 Mineral Resource and the 2023 Mineral Resource shown in Table 3.

There has been no mining at the North T Deposit since the 30 June 2022 Mineral Resource statement, hence the Mineral Resource estimate for the North T Deposit is the same as in 2022. The Mineral Resource estimates for the North T are stated in Table 4 below.

Table 2 – Nechalacho Rare Earths Project, Canada Mineral Resource Estimates for the Tardiff Upper Zone – refer ASX release 14 February 2023

| Cut-off Grade % TREO | Category | Tonnage (Mt) | TREO Grade (%) | NdPrO:TREO Ratio | $Nd_2O_3$ (%) | $Pr_6O_{11}$ (%) |
|---|---|---|---|---|---|---|
| 1.0 | Inferred | 108.1 | 1.39 | 25.1% | 0.28 | 0.07 |
| 1.0 | Indicated | 6.3 | 1.45 | 24.8% | 0.28 | 0.08 |
| 1.0 | Measured | 4.6 | 1.59 | 24.6% | 0.31 | 0.08 |
| **1.0** | **Total** | **119.0** | **1.40** | **25.1%** | **0.28** | **0.07** |

TREO = Total Rare Earth Oxides – $La_2O_3$, $CeO_2$, $Pr_6O_{11}$, $Nd_2O_3$, $Sm_2O_3$, $Eu_2O_3$, $Gd_2O_3$, $Tb_4O_7$, $Dy_2O_3$, $Ho_2O_3$, $Er_2O_3$, $Tm_2O_3$, $Yb_2O_3$, $Lu_2O_3$, $Y_2O_3$

NdPrO = Neodymium oxide and Praseodymium oxide: $Nd_2O_3+Pr_6O_{11}$

Table 3 – The 2022 resource statement comared with the 2023 resource statement for the Tardiff Upper Zone

| 2022 | | | 2023 | | | Difference | | |
|---|---|---|---|---|---|---|---|---|
| Category | Tonnes | TREO% | Category | Tonnes | TREO% | Category | Tonnes | TREO% |
| Inferred | 77.2 | 1.46 | Inferred | 108.1 | 1.39 | Inferred | 30.9 | 1.23 |
| Indicated | 14.7 | 1.51 | Indicated | 6.3 | 1.45 | Indicated | (8.4) | 1.55 |
| Measured | 2.9 | 1.47 | Measured | 4.6 | 1.59 | Measured | 1.7 | 1.80 |
| **Total** | **94.7** | **1.46** | **Total** | **119.0** | **1.40** | **Total** | **24.3** | **1.17** |

Note: Rounding errors occur in this table.

Table 4 – Nechalacho Rare Earths Project, Canada Mineral Resource Estimates for the North T Deposit after mining depletion in 2021 – refer ASX release 15 April 2020 and the 2022 annual resource statement

| | 30 June 2023 | | |
|---|---|---|---|
| Confidence Category | Kilo Tonnes | LREO (%) | LREO Tonnes |
| Measured | 64 | 9.83 | 6,300 |
| Indicated | 30 | 7.56 | 2,261 |
| **Total** | **94** | **9.11** | **8,561** |

The annual Mineral Resources Estimate in respect of the Nechalacho Rare Earths Project is based on, and fairly represents, information and supporting documentation prepared by a competent person. The Mineral Resource Estimate as a whole has, as to the form and content in which it appears in the Annual Report, been approved by Mr Brendan Shand. Mr Shand is a Competent Person, a member of the Australasian Institute of Mining and Metallurgy and an employee of the Company. Mr Shand 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Shand consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Group’s tenement schedule is as follows:

| *Location* | *Tenement* | *Beneficial Interest* |
|---|---|---|
| Canada | Nechalacho* | 100% |
| Burkina Faso | Nahouri | 100% |
| | Kampala | 100% |
| | Zeko | 100% |
| Germany | Aue | 100% |
| Tanzania | Wigu Hill** | 0% |

* Vital owns 100% of the mineral rights of the Nechalacho Project above the 150 m elevation level
** Vital has signed a project development and option agreement to acquire Wigu Hill. The Company has the right to acquire the licence upon the issuance of the licence by the Tanzanian Government

The Board of Directors present their report on the Consolidated entity (referred to hereafter as the Group) consisting of Vital Metals Limited and the entities it controlled at the end of, or during the year ended 30 June 2023.

**DIRECTORS**

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

**Names, qualifications, experience and special responsibilities**

**Mr Evan Cranston (resigned 15 February 2023)**
*Non-Executive Chairman*

Mr Cranston is an experienced mining executive with a background in corporate and mining law. He is the principal of corporate advisory and administration firm, Konkera Corporate and has extensive experience in the areas of equity capital markets, corporate finance, structuring, asset acquisition, corporate governance and external stakeholder relations. He holds both a Bachelor of Commerce and Bachelor of Laws from the University of Western Australia. Mr Cranston is a former Non-Executive Director of New Century Resources Limited (ASX: NCZ), Carbine Resources Limited (ASX: CRB) and Boss Resources Limited (ASX: BOE). He is currently Executive Chairman of African Gold Ltd (ASX: A1G), Non-Executive Chairman of Firebird Metals Limited (ASX: FRB) and Chairman and Director of Benz Mining Corp (ASX: BNZ I TSX-V: BZ).

**Mr Geoff Atkins (resigned 2 September 2022)**
*Managing Director*

Mr Atkins is a Civil Engineer with over 20 years of project and corporate development experience across commercial, industrial, mining and infrastructure sectors with responsibility for driving projects from concept, through feasibility and development to operational assets.

Mr Atkins is not a director of any other ASX-listed Company.

**Mr James Henderson**
*Non-Executive Director*

Mr Henderson is currently Executive Chairman of Transocean Group Pty Ltd, a corporate advisory and private equity group focused on the emerging company market. His expertise is in the area of corporate strategy and structuring, capital raising and commercial negotiation.

Mr Henderson has led teams on a variety of transactions including mergers, acquisitions, dispositions, takeovers, and capital raisings particularly in Australia, Canada, the USA and Africa and was a founding shareholder in Cheetah Resources Pty Ltd.

Mr Henderson is also a Non-Executive Director of Compass Gold Corporation (TSX-V: CVB).

**Mr Richard Crookes (appointed Non-Executive Director on 10 August 2022 and Interim Chairman on 15 February 2023)**
*Non-Executive Interim Chairman*

Mr Crookes is currently the Managing Partner of Lionhead Resources (LHR) and Chairman of the Investment Committee. He has more than 35 years of global resource industry experience across a diverse range of projects, geographies and commodities as both an operator and investor.

Mr Crookes is a former Chief Geologist and Mining Manager for Ernest Henry Mining (ASX: EVN) and an Executive Director of Macquarie's Metals & Energy Capital division.

Mr Crookes is the Chairman of Black Rock Mining (ASX: BKT) and a Non-Executive Director of Lithium Power International (ASX: LPI).

Mr Crookes holds a Bachelor of Science in Geology and a Graduate Diploma in Applied Finance, is a member of the Australasian Institute of Mining and Metallurgy (AusIMM), a Fellow of the Financial Services Institute of Australia (FINSIA) and a member of the Australian Institute of Company Directors (AICD).

**Mr Paul Quirk (appointed 10 August 2022)**
*Non-Executive Director*

Mr Quirk is currently a partner at Lionhead Resources (LHR) and is responsible for originating new investments opportunities and building and maintaining investor relations.

Prior to LHR, Mr Quirk co-founded Lionhead Capital Partners, a multi-strategy principal investment firm focused on mining, real estate and private equity investing. Mr Quirk was one of the founding partners of Cora Gold, a gold exploration and development company operating in Mali.

Mr Quirk holds a Bachelor of Commerce in Accounting and Finance from the Northeastern University.

**Ms Lisa Riley (appointed 2 December 2022)**
*Non-executive Director*

Ms Riley has nearly 30 years of experience in global capital markets, finance, mining advisory and government relations in Canada and Latin America. She is a Non-Executive Director of Star Diamond Corp (TSX: DIAM), chairing its audit committee and is a member of its corporate governance, compensation and nomination committee. She is also a Director of GFG Resources Inc (TSX-V: GFG) and is a member of GFG's corporate governance/compensation and audit committees. She is Chair of the Board of Tribeca Resources (TSX-V: TRBC) and a member of the corporate governance/compensation and audit committees.

Previously, she was Lead Director of Scorpio Mining Corp (TSX: SPM) which became Americas Gold and Silver (TSX: USA) and chaired its audit committee. She was also a director of Scorpio Gold (TSX-V: SGN).

Earlier in her career, Ms Riley held roles as Vice President and Director of Equity Sales at TD Securities in London, Vice President of Equity Sales at RBC Capital Markets in London and Vice President of Equity Research at Lehman Brothers in New York City.

She has extensive experience advising companies on improving stakeholder relations and incorporating ESG focuses in real and measurable ways and is also fluent in three languages.

**Mr John Dorward (appointed 21 November 2022, resigned as a director on 20 March 2023 and as CEO on 16 June 2023)**
*Managing Director*

Mr Dorward was the President, CEO and Director of Toronto-headquartered Roxgold Inc (TSX: ROXG | OTCQX: ROGFF), which was acquired by Fortuna Silver Mines Inc (NYSE: FSM | TSX: FVI) in an all-scrip deal valued at US$884 million last year.

Mr Dorward led the Roxgold team to build the underground Yaramoko Gold Mine in Burkina Faso, which reached production less than four years after the delivery of a maiden Inferred Resource and went on to achieve annual production of ~140,000oz gold, before Roxgold also secured the high-grade Séguéla project in Cote D'Ivoire from Newcrest Mining Limited.

Mr Dorward's earlier roles include Vice President of Business Development at Fronteer Gold, a TSX and AMEX-listed mining company with gold and uranium projects in USA, Canada and Turkey, which was acquired by Newmont for US$2.3 billion. He was also Chief Financial Officer of Mineral Deposits Ltd, an ASX and TSX-listed mining development company with gold and mineral sands projects in Senegal, West Africa, where he led its TSX IPO and associated US$50 million equity raising.

He previously held senior roles at Australian mining companies Leviathan Resources Limited and MPI Mines Limited, as well as Manager – Project Finance at Bankwest in Perth and Melbourne.

Mr Dorward is Chairman of Contact Gold Corp, and a Non-Executive Director of Surge Copper Corp and Taura Gold Inc.

**COMPANY SECRETARY**

**Ms Louisa Martino**
*Company Secretary*

Ms Martino has a Bachelor of Commerce from the University of Western Australia, is a member of the Institute of Chartered Accountants Australia & New Zealand (ICAA), a member of the Financial Services Institute of Australasia (FINSIA) and a fellow of the Governance Institute of Australia (FGIA). She provides a number of listed companies with company secretarial services and has worked within corporate finance, assisting with company compliance and capital raisings. Ms Martino holds the position of Company Secretary for listed companies, PYX Resources Ltd (NSX: PYX), Cokal Ltd (ASX: CKA) and EV Resources Ltd (ASX: EVR).

**PRINCIPAL ACTIVITIES**

The principal activities of the Group during the year were mineral exploration and development in Canada.

**FINANCIAL POSITION**

As of 30 June 2023, the Company held approximately $3.62m in cash.

The Group's net assets at 30 June 2023 were $47,030,319 (30 June 2022: $60,664,058).

**FINANCIAL RESULTS**

The Group recorded an operating loss for the year of $51,681,194 (2022: loss of $4,770,105). The 2023 result is consistent with the nature and operations of the Group.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

**EVENTS SUBSEQUENT TO REPORTING DATE**

On 28 September 2023 the Board assigned Vital Metals Canada Limited ("VMCL") into bankruptcy under the Bankruptcy and Insolvency Act (Canada) and has appointed MNP Saskatoon as trustee in bankruptcy of VMCL. As a result of the bankruptcy, all the property, assets and undertaking of VMCL have vested in the trustee in bankruptcy, who will liquidate the assets and distribute the proceeds to proven creditors of VMCL in accordance with the applicable priorities.

As a consequence of assigning VMCL into bankruptcy, the assets of that entity have been fully impaired as at 30 June 2023. As at 28 September 2023 VMCL will be deconsolidated from the Group. Due to uncertainties relating to the financial outcome of the bankruptcy proceedings and any associated distributions from the trustee in bankruptcy, an assessment of the financial effect of deconsolidation on the Group cannot be made at this stage.

Vital has provided an indemnity to the landlord of VMCL's premises for payments not made under the lease. In this case, if the recovery in the bankruptcy from the sale of the assets is insufficient to pay out the amount due to the landlord they may seek to recover the shortfall from Vital Metals Limited. The landlord however, has an obligation to mitigate any Vital Metals losses due to this indemnity. The lease term is from 1 November 2021 to 31 October 2031, i.e. approximately 8 years remaining. The cost of the lease is C$356,000 per annum.

As part of a strategic review process 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. Contemporaneously with its strategic review, 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.

Subsequent to year end, Vital issued a Notice of Termination under the Offtake Agreement, which was delivered to REEtec on 28 September 2023 (Australian time). The Offtake Agreement will terminate 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 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.

On 6 September 2023, Vital advised it had 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.

Material terms of the Loan are as follows:

- Loan Amount - A$2m;
- Maturity date – 3 months from drawdown;
- Interest payable - the Loan Amount will bear interest at the rate of 3% per month. An additional 1% is payable while an event of default subsists;
- Security – General Security Agreement over all the assets of the Company, including the shares which the Company holds in each of its wholly-owned subsidiaries;
- Establishment fee – A$60,000; and
- Options - the Company will issue 200,000,000 Options to the Lenders (or their nominees) with an exercise price of 1.5c with a 1 year expiry date from the date of issue, subject to shareholder approval at the Company's next general meeting.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial 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.

**DIVIDENDS**

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Group ceased its construction of the rare earth processing plant in Saskatoon and intends to continue its exploration and development activities at the Nechalacho projects whilst assessing opportunities to acquire further suitable projects for exploration and development as they arise.

**ENVIRONMENTAL REGULATION**

The Group is subject to significant environmental regulation in respect to its exploration and development activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

## RISK MANAGEMENT

The Directors are responsible for ensuring that risks and opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with these risks and opportunities. The Board's collective experience will generally enable identification of the principal risks that may affect the Company's business, and an Audit and Risk Committee has been established. Vital Metals Limited has a Risk Management Policy for oversight and management of material business risks. Key operational risks and their management will be recurring items for deliberation at Board meetings.

The Company operates in a changing environment and is, therefore, subject to factors and business risks that will affect future performance.

Set out below are the principal risks and uncertainties that could have a material effect on Vital's future results, both operationally and financially. It is not possible to determine the likelihood of these risks occurring with any certainty. In the event that one or more of these risks materialise, Vital's reputation, strategy, business, operations, financial condition and future performance could be materially and adversely affected. There may also be other risks that are currently unknown or are deemed immaterial, but which may subsequently become known and/or material. These may individually or in aggregate adversely affect Vital.

### Operational Risks

***Exploration Risk***
Mining exploration and development is a high-risk undertaking. The success of the Company depends on the delineation of economically-minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to the Company's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

***Tenure, access and grant of application***
The Company's operations are subject to receiving and maintaining licences and permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of licences/permits from the existing operations, additional licences/permits for any possible future changes to operations, or additional permits associated with new legislation.

***Rare earth prices***
Rare Earth prices are calculated by pricing formulae that reference published pricing for various Rare Earths materials. The market price has been volatile in the past because it is influenced by numerous factors and events. These include:

- Supply side factors: periods of restricted supply, over supply or speculative trading of Rare Earths can lead to significant fluctuations in Rare Earth pricing.
- Demand side factors: Demand for end-products that utilise Vital's material fluctuates due to factors including global economic trends, regulatory developments and consumer trends.
- Geopolitical factors: Recently Rare Earths have been the focus of significant attention, including as a result of supply chain issues highlighted by the COVID-19 pandemic.

Strong Rare Earth prices, as well as real or perceived disruptions in supply, may create economic incentives to identify or create alternate technologies that ultimately could depress future long-term demand for Rare Earths. This may, at the same time, incentivise the development of additional mining properties to produce Rare Earths. If industries reduce their reliance on Rare Earth products, the resulting change in demand could have a material adverse effect on Vital's business.

It is impossible to predict future Rare Earths price movements with certainty. Any sustained low Rare Earths prices or further declines in the price of Rare Earths, including as a result of periods of over-supply and/or speculative trading of Rare Earths, will adversely affect Vital's business and its ability to finance planned capital expenditures, including development projects.

***Operational and development risks***
Vital's operations and development activities could be affected by various unforeseen events and circumstances, such as hazards in exploration, the ability of third parties to meet their commitments in accordance with contractual arrangements, and the delivery and grades of ore and performance of processing facilities at design specification. Factors such as these may result in increased costs. Any negative outcomes flowing from these operational risks could have an adverse effect on Vital's business, financial condition, profitability and performance.

***Nature of mining***
Mineral mining involves risks, which, even with a combination of experience, knowledge and careful evaluation, may not be able to be fully mitigated. Mining operations are subject to hazards normally encountered in exploration and mining. These include unexpected geological formations, rock falls, flooding, dam wall failure and other incidents or conditions which could result in damage to plant or equipment, which may cause a material adverse impact on Vital's operations and its financial results. Projects may not proceed to plan with potential for delay in the timing of targeted output, and Vital may not achieve the level of targeted mining output. Mining output levels may also be affected by factors beyond Vital's control.

***Mineral resource and ore reserves***
No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the anticipated level of recovery will be realised. Mineral resource and ore reserve estimates are based upon estimates made by Vital personnel and independent consultants. Estimates are inherently uncertain and are based on geological interpretations and inferences drawn from drilling results and sampling analyses. There is no certainty that any mineral resources or ore reserves identified by Vital will be realised, that any anticipated level of recovery of minerals will be realised, or that an identified ore reserve or mineral resource will be a commercially mineable (or viable) deposit which can be legally and economically exploited.

Further, the grade of mineralisation which may ultimately be mined may differ materially from what is predicted. The quantity and resulting valuation of ore reserves and mineral resources may also vary depending on, amongst others, metal prices, cut-off grades and estimates of future operating costs (which may be inaccurate). Production can be affected by many factors. Any material change in the quantity of ore resources, mineral reserves, grade, or stripping ratio may affect the economic viability of any project undertaken by Vital.

Vital's estimated mineral resources and ore reserves should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations. Investors should be cautioned not to place undue reliance on any estimates made by Vital. Vital cannot be certain that its mineral resource and ore reserve estimates are accurate and cannot guarantee that it will recover the expected quantities of metals. Future production could differ dramatically from such estimates for the following reasons:

- actual mineralisation or Rare Earth grade could be different from those predicted by drilling, sampling, feasibility or technical reports;
- increases in the capital or operating costs of the mine;
- decreases in Rare Earth oxide prices;
- changes in the life-of-mine plan;
- the grade of Rare Earths may vary over the life of a Vital project and Vital cannot give any assurances that any particular mineral reserve estimate will ultimately be recovered; or
- metallurgical performance could differ from forecast.

The occurrence of any of these events may cause Vital to adjust its mineral resource and reserve estimates or change its mining plans. This could negatively affect Vital's financial condition and results of operations. Moreover, short-term factors, such as the need for additional development of any Vital project or the processing of new or different grades, may adversely affect Vital.

Vital reports its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

***Attraction and retention of skilled personnel***
Attraction and retention of skilled personnel is important to Vital's operations and its further growth.

In addition, industrial and labour disputes, work stoppages and accidents, and logistical and engineering difficulties may also have an adverse effect on Vital's profitability and share price.

***Industry trends, including changes in technology***
Changes in technology, including switches to renewable energy sources, present both opportunities and risks to the Vital business. As technologies and consumer trends continue to evolve, new competing technologies may emerge that may reduce demand for Vital Rare Earth products. Any significant trends away from technologies that utilise Vital Rare Earths products could materially adversely affect the Vital business.

**Regulatory, legal and environmental risks**

***General regulatory risks***
Vital's business is subject to various national and local laws and regulations relating to the mining, production, marketing, pricing, transportation and storage of products and residues, predominantly in Canada. A change in the legislative and administrative regimes, taxation laws, interest rates, and other legal and government policies may have an adverse effect on the assets, operations and ultimately the financial performance of Vital and the market price of Vital's shares. Other changes in the regulatory environment (including applicable accounting standards) may have a material adverse effect on the carrying value of material assets or otherwise have a material adverse effect on Vital's business and financial condition.

***Licences, permits, approvals, consents and authorisations***
Vital's mining and production activities are dependent on the granting and maintenance of appropriate licences, permits, approvals, and regulatory consents and authorisations (including those related to interests in mining tenements), which may not be granted or may be withdrawn or be made subject to limitations at the discretion of government or regulatory authorities. Although such licences, permits, approvals and regulatory consents and authorisations may be granted, continued or renewed (as the case may be), there can be no assurance that such licences, permits, approvals and regulatory consents and authorisations will be granted, continued or renewed as a matter of course, or as to the terms of renewals or grants, including that new conditions, or new interpretations of existing conditions, will not be imposed in connection therewith. Whether such licences, permits, approvals and regulatory consents and authorisations may be granted, continued or renewed (as the case may be) often depends on Vital being successful in obtaining the required statutory approvals for proposed activities. If there is a failure to obtain or retain the appropriate licences, permits, approvals and regulatory consents and authorisations, or if there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions or withdrawn, then Vital's ability to conduct its mining and production activities may be adversely affected.

***Political risks and government actions***
Vital's operations could be affected by government actions predominantly in Australia and Canada and other countries or jurisdictions in which it has interests. Vital is subject to the risk that it may not be able to carry out its operations as it intends, including because of a change in government, legislation, guidelines, regulation or policy, including in relation to the environment, the Rare Earths sector, competition policy, native title and cultural heritage. Such changes could affect land access, the granting of licences and other tenements, the approval of developments and freedom to conduct operations.

The possible extent of introduction of additional legislation, regulations, guidelines or amendments to existing legislation that might affect Vital's business is difficult to predict. Any such government action may require increased capital or operating expenditures and could prevent or delay certain operations by Vital, which could have a material adverse effect on Vital's business and financial condition.

Vital also may not be able to ensure the security of its assets located outside Australia, and is subject to risks of, among other things, loss of revenue, property and equipment as a result of hazards such as expropriation, war, insurrection and acts of terrorism and other political risks and increases in taxes and government royalties. The effects of these factors are difficult to predict and any combination of one or other of the above may have a material adverse effect on Vital' business and financial position.

***Environmental risks***

Vital's activities are subject to extensive laws and regulations controlling not only the mining of, exploration for and processing of Rare Earths, but also the possible effects of such activities upon the environment and interests of local communities. In the context of obtaining environmental permits, including the approval of reclamation plans, Vital must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. With increasingly heightened government and public sensitivity to environmental sustainability, environmental regulation is becoming more stringent, and Vital could be subject to increasing environmental responsibility and liability, including laws and regulations dealing with air quality, water and noise pollution and other discharges of materials into the environment, plant and wildlife protection, the reclamation and restoration of certain of its properties, greenhouse gas emissions, the storage, treatment and disposal of residues and the effects of its business on the water table and groundwater quality.

Sanctions for non-compliance with these laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. These laws sometimes apply retroactively. In addition, a party can be liable for environmental damage without regard to that party's negligence or fault. Given the sensitive nature of this area, Vital may be exposed to litigation and foreseen and unforeseen compliance and rehabilitation costs despite its best efforts.

***Climate change risks***

Climate change and the rapidly evolving response to it may lead to a number of risks, including but not limited to transition risk such as:

- Increased political, policy and legal risks (e.g. the introduction of regulatory changes aimed at reducing the impact of, or addressing climate change, including reducing or limiting carbon emissions);
- Increased capital and operational costs, including increased costs of inputs and raw materials; and
- Technological change and reputational risks associated with Vital's conduct.

***Community acceptance and reputation***

Vital recognises that a strong mutual relationship with each community in which it operates is a pre-condition to successful operations. Failure to maintain those relationships and the acceptance by those communities may have an adverse effect on Vital's operations.

In addition, Vital recognises the importance of maintaining its reputation with its stakeholders including shareholders, regulatory authorities, communities, customers and suppliers. Failure to maintain its reputation with some or all stakeholders may have a negative effect on the future performance of Vital.

***Legal action***

It is possible that, Vital could be exposed to litigation or proceedings, either from shareholders, financiers, regulators or members of the communities in which Vital operates.

**Financial risks**

***Funding risk***

The Company has no operating revenue and is unlikely to generate consistent operating revenue unless and until the Company's projects are successfully developed and production commences. The future capital requirements of the Company will depend on many factors including its business development activities.

In order to successfully develop the Company's projects and for production to commence, the Company will require further financing in the future. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities including resulting in the tenements being subject to forfeiture, and could affect the Company's ability to continue as a going concern.

The Company may undertake additional offerings of Shares and of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, the voting power of the Company's existing Shareholders will be diluted.

**General risks**

***General economic conditions***
Vital's operating performance and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates, exchange rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, could be expected to have an adverse impact on Vital' business, results of operations or financial condition and performance.

***Accounting standards***
Accounting standards may change. This may affect the reporting earnings of Vital and its financial position from time to time. Vital has previously and will continue to assess and disclose, when known, the effect of adopting new accounting standards in its periodic financial reporting.

***Force majeure events***
Events may occur within or outside Vital's key markets that could affect global economies and the operations of Vital. The events include, but are not limited, to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, changes in weather patterns or other severe weather events, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on market conditions, the demand for Vital's product offering and services and Vital's ability to conduct business.

***Cyber security***
Cyber security risks are increasing in the external environment. Cyber security risks include computer viruses targeting IT systems, unauthorised access, cyber-attack (either targeted at Vital for financial gain or due to geopolitical matters), social media disinformation campaigns, penetration of Vital's systems (including through attacks on Vital's suppliers) and other similar matters. A cyber event may lead to adverse impacts on Vital's operations and financial performance.

**INSURANCE OF DIRECTORS AND OFFICERS**

The Company has entered into an agreement to indemnify all directors and officers against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the officer or director.

During the period the Company has paid an insurance premium in respect of a Directors' and Officers' Liability Insurance Contract. The insurance premium relates to liabilities that may arise from an Officer's position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain personal advantage.

The officers covered by the insurance policies are the Directors, Company Secretary and Officers of the Company. The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of the premium.

### PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### NON-AUDIT SERVICES

During the year, BDO Reward (WA) Pty Ltd were engaged to complete a renewal of Canadian Permanent Residence and PR Travel for which they were paid $8,581 (2022: nil).

The Group has not provided any indemnity to the Auditors.

### DIRECTORS' INTERESTS IN SECURITIES OF THE GROUP

As at the date of this report, the interests of the Directors in the shares, options and other performance securities of Vital Metals Limited were:

| DIRECTOR | ORDINARY SHARES | OPTIONS |
|---|---|---|
| Evan Cranston* | 16,528,998 | 180,000,000 |
| Geoff Atkins* | 92,149,547 | 90,000,000 |
| James Henderson | 98,296,342 | 60,000,000 |
| Richard Crookes | Nil | Nil |
| Paul Quirk | Nil | Nil |
| Lisa Riley | Nil | Nil |
| John Dorward* | Nil | Nil |

* As at date of ceasing to be a Director / CEO

### SHARES UNDER OPTION

At the date of this report, the Group had on issue 5,306,149,751 ordinary shares and 435,500,000 options over ordinary shares.

Unissued ordinary shares of the Company under option at the date of this report are as follows:

| DATE OPTIONS GRANTED | EXPIRY DATE | EXERCISE PRICE | NUMBER UNDER OPTION |
|---|---|---|---|
| 22 October 2019 | 22 October 2024 | $0.02 | 110,000,000 |
| 22 October 2019 | 22 October 2024 | $0.025 | 110,000,000 |
| 22 October 2019 | 22 October 2024 | $0.03 | 110,000,000 |
| 22 December 2021 | 22 December 2024 | $0.07 | 20,000,000 |
| 24 December 2020 | 31 January 2025 | $0.02 | 6,000,000 |
| 24 December 2020 | 31 January 2025 | $0.025 | 6,000,000 |
| 24 December 2020 | 31 January 2025 | $0.03 | 6,000,000 |
| 31 January 2020 | 31 January 2025 | $0.02 | 22,500,000 |
| 31 January 2020 | 31 January 2025 | $0.025 | 22,500,000 |
| 31 January 2020 | 31 January 2025 | $0.03 | 22,500,000 |
| | | **TOTAL** | **435,500,000** |

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

## DIRECTORS' MEETINGS

The table below sets out the number of Directors' meetings held during the period and the number of meetings attended by each as a Director. During the 2023FY the Company established an Audit and Risk Committee and a Remuneration and Nominations Committee. The number of these meetings held and the number attended by the committee members are set out below.

| | Board Meetings | | Audit and Risk Committee | | Remuneration and Nominations Committee | |
|---|---|---|---|---|---|---|
| Director | Number of Meetings held while in office | Meetings attended | Number of Meetings held while in office | Meetings attended | Number of Meetings held while in office | Meetings attended |
| Evan Cranston | 4 | 4 | - | - | - | - |
| Geoff Atkins | 1 | 1 | - | - | - | - |
| James Henderson | 10 | 10 | 1 | 1 | 1 | 1 |
| Richard Crookes | 9 | 9 | - | - | 1 | 1 |
| Paul Quirk | 9 | 9 | 1 | 1 | - | - |
| Lisa Riley | 6 | 6 | 1 | 1 | 1 | 1 |
| John Dorward | 3 | 3 | - | - | - | - |

## CORPORATE GOVERNANCE STATEMENT

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: https://www.vitalmetals.com.au/corporate/corporate-governance/

## AUDITED REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001. The Directors and Key Management Personnel for the year ended 30 June 2023 were:

| Name | Position for the year ended 30 June 2023 |
|---|---|
| Richard Crookes (appointed 10 August 2022) | Interim Chairman |
| James Henderson | Non-Executive Director |
| Paul Quirk (appointed 10 August 2022) | Non-Executive Director |
| Lisa Riley (appointed 2 December 2022) | Non-Executive Director |
| Evan Cranston (resigned on 15 February 2023) | Non-Executive Chairman |
| Geoff Atkins (resigned on 2 September 2022) | Managing Director |
| John Dorward (appointed 21 November 2022 and resigned as director 20 March 2023 and as CEO 16 June 2023) | Managing Director |
| Russell Bradford (appointed 31 August 2022 and resigned 15 January 2023) | Interim Chief Executive Officer |
| Anthony Hadley (ceased as COO 18 October 2022 and resigned 3 May 2023) | Chief Operating Officer |

**Remuneration Policy**

Remuneration of Directors and Executives is referred to as compensation throughout this report. Key Management Personnel including Directors of the Company and other executives have authority and responsibility for planning, directing and controlling the activities of the Group. Compensation levels for Directors and Key Management Personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The Board is responsible for compensation policies and practices. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including the compensation packages and terms of employment. No such advice was sought in the current year.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account a number of factors, including length of service and the particular experience of the individual concerned.

**Fixed Compensation**

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles) as well as, employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board where applicable.

**Share–based compensation**

Share options are granted to key employees as the Directors believe that this is the most appropriate method of aligning performance to the interests of shareholders. The Directors feel that it appropriately links the long-term incentives of key employees to the interest of shareholders. The ability to exercise the options is conditional on continued service for a period as determined by the Board upon each issuance of options. The Group does not have a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

**Employment Contracts of Directors and Executives**

As at 30 June 2023, all Directors and all executives, have formal contracts with the Company.

The terms during the past year and as at the date of this report are set out as follows:

| Name | Position | Annual Remuneration $ |
|---|---|---|
| Richard Crookes (appointed Director 10 August 2022 and as Interim Chairman on 15 February 2023)[1] | Non-Executive Director / Chairman | 100,000 |
| James Henderson[2] | Non-Executive Director | 70,000 |
| Paul Quirk (appointed 10 August 2022)[2] | Non-Executive Director | 70,000 |
| Lisa Riley (appointed 2 December 2022)[3] | Non-Executive Director | 80,000 |
| Evan Cranston (resigned 15 February 2023) | Non-Executive Chairman | 60,000 |
| Geoff Atkins (resigned 2 September 2022) | Managing Director | 270,000 |
| John Dorward (appointed 21 November 2022 and resigned as Director 20 March 2023 and as CEO 16 June 2023) | Managing Director | 400,000 |
| Russell Bradford (appointed 31 August 2022 and resigned 15 January 2023) | Interim Chief Executive Officer | 360,000 |
| Anthony Hadley (ceased as COO 18 October 2022 and resigned 3 May 2023) | Chief Operating Office | 280,000 |

[1]Chairman's fee increased from $60,000 to $100,000 from 1 January 2023

[2]Director fees increased from $40,000 to $65,000 and an additional $5,000 for Committee members from 1 January 2023

[3]Director fees increased from $40,000 to $65,000 and an additional $15,000 for Committee Chair from 1 January 2023. Additional exertion fees of $44,450 paid during the year

<u>John Dorward (appointed Managing Director on 21 November 2022, resigned as Director on 20 March 2023 and as CEO on 16 June 2023)</u>

Mr John Dorward was under an employment agreement that commenced on 21 November 2022 with fixed remuneration of $400,000 per annum (base salary) plus statutory superannuation and short-term incentive of up to 70% of base salary at the Board's absolute discretion as well as a long-term incentive of up to 100% of base salary, awarded annually at the Board's absolute discretion.

Under the agreement the Company issued 40,000,000 options in the Company with an exercise price of AU$0.045 each and expiry date 4 years from the date of issue. Options vest 1/3 at a time annually over the first 3 years, subject to continued employment.

Mr Dorward may resign from his position and thus terminate his employment by giving 3 months' written notice. The Company may terminate the employment agreement by providing 6 months' written notice or providing payment in lieu of the notice period.

Russell Bradford (appointed as Interim CEO 31 August 2022 and resigned 15 January 2023)
Mr Bradford's appointment was under a short term contracting arrangement which included a contractor fee of A$30,000 per month and a three month contract term (extended monthly thereafter until a new CEO was appointed).

Geoff Atkins (resigned 2 September 2022)
Mr Geoff Atkins was under a consulting agreement that commenced on 1 October 2019. The terms of the contract included:

- Annual consulting fee of $270,000; and
- An incentive component comprising 90,000,000 options in 3 equal tranches to purchase fully paid ordinary shares in the Company with the following key terms:
  - Options were approved by shareholders at General Meeting held 16 October 2019;
  - Exercise Prices Tranche 1-$0.02, Tranche 2-$0.025, Tranche 3-$0.03
  - Expiry date of 5 years from date of issue

The duration of the consultancy agreement is for a minimum of 3 years. Mr Atkins may resign from his position and thus terminate the consultancy by giving 3 months' written notice. The Company may terminate the consultancy agreement by providing 3 months' written notice or providing payment in lieu of the notice period (based on the consulting fee).

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Managing Director is only entitled to that portion of remuneration (consultancy fee) and only up to the date of termination.

Anthony Hadley (resigned as COO 18 October 2022 and resigned as Head of Technical on 3 May 2023)
Mr Tony Hadley was an employee of the Company under an executive agreement signed on 7 February 2020. Under the terms of the contract:

- A salary package of $280,000 per annum plus statutory superannuation; and
- An incentive component comprising 3 tranches of 6,000,000 options each to purchase fully paid ordinary shares in the company with the following key terms:
  - Exercise Price of Tranche 1-$0.02, Tranche 2-$0.025, Tranche 3-$0.03
  - Expiry date of 31 January 2025
  - Options to vest as follows:
    - Tranche 1 -6,000,000 options vest 1 year from date of issue
    - Tranche 2 -6,000,000 options vest 2 years from date of issue
    - Tranche 3 -6,000,000 options vest 3 years from date of issue.

The options vesting 3 years from the date of issue were deemed fully vested upon the resignation of Tony Hadley. The duration of the consultancy agreement continues until the agreement is validly terminated in accordance with its terms. Mr Hadley may resign from his position and thus terminate the agreement by giving 3 months' written notice.

The Company may terminate the agreement by providing 3 months' written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Hadley's remuneration including any accrued statutory leave liabilities).

**Non-Executive Directors**
Total compensation for all Non-Executive Directors, last voted upon by shareholders at the 2007 AGM, is not to exceed $400,000 per annum.

***Company performance, shareholder wealth and directors' and executives' remuneration***

No relationship exists between shareholder wealth, director and executive remuneration and Company performance due to the infant stage of the Company's operations.

**Historical Information**

The table below shows the gross revenue, losses and earnings per share for the last five years for the listed entity.

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Net profit/(loss) ($) | (51,681,194) | (4,770,105) | (4,745,906) | (4,578,593) | 3,225,692 |
| Share price at year end (cents) | 0.90 | 3.9 | 4.8 | 1.0 | 1.2 |
| Earnings/(loss) per share (cents) | (1.00) | (0.11) | (0.16) | (0.23) | 0.18 |

**Details of remuneration**

The Key Management Personnel of the Group are the Directors and Chief Operating Officer. Given the size and nature of operations of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

**Remuneration of Key Management Personnel**

Details of the remuneration provided to the Key Management Personnel of the Group are set out in the following table:

| | Short term Salary and Fees$ | Short Term Bonus $ | Post-employment Superannuation $ | Termination $ | Share-based payments Options[1] $ | Total $ | Performance related % |
|---|---|---|---|---|---|---|---|
| ***Directors of Vital Metals Limited*** | | | | | | | |
| ***Non-Executive Directors*** | | | | | | | |
| **Richard Crookes (Interim Chairman) (appointed Non-Executive Director on 10 August 2022 and Interim Chairman on 15 February 2023)** | | | | | | | |
| **2023** | **45,625** | **-** | **-** | **-** | **-** | **45,625** | **-** |
| 2022 | - | - | - | - | - | - | - |
| **James Henderson (Non-Executive Director)** | | | | | | | |
| **2023** | **55,000** | **-** | **-** | **-** | **-** | **55,000** | **-** |
| 2022 | 40,000 | - | - | - | - | 40,000 | - |
| **Paul Quirk (Non-Executive Director) (appointed 10 August 2022)** | | | | | | | |
| **2023** | **35,000** | **-** | **-** | **-** | **-** | **35,000** | **-** |
| 2022 | - | - | - | - | - | - | - |
| **Lisa Riley (Non-Executive Director) (appointed 2 December 2022) [2]** | | | | | | | |
| **2023** | **87,783** | **-** | **-** | **-** | **-** | **87,783** | **-** |
| 2022 | - | - | - | - | - | - | - |
| **Evan Cranston (Non-Executive Chairman) (resigned 15 February 2023)** | | | | | | | |
| **2023** | **35,000** | **-** | **-** | **-** | **-** | **35,000** | **-** |
| 2022 | 60,000 | - | - | - | - | 60,000 | - |
| ***Executive Directors*** | | | | | | | |
| **Geoff Atkins (Managing Director) (resigned 2 September 2022)** | | | | | | | |
| **2023** | **45,000** | **-** | **-** | **-** | **-** | **45,000** | **-** |
| 2022 | 270,000 | - | - | - | - | 270,000 | - |
| **John Dorward (Managing Director) (appointed 21 November 2022 and resigned as director 20 March 2023 and as CEO on 16 June 2023) [3]** | | | | | | | |
| **2023** | **230,490** | **-** | **24,201** | **-** | **-** | **254,691** | **-** |
| 2022 | - | - | - | - | - | - | - |
| ***Other Key Management Personnel*** | | | | | | | |
| **Russell Bradford (appointed 31 August 2022 and resigned 15 January 2023)** | | | | | | | |
| **2023** | **135,000** | **-** | **-** | **-** | **-** | **135,000** | **-** |
| 2022 | - | - | - | - | - | - | - |
| **Anthony Hadley (ceased as COO 18 October 2022 and resigned 3 May 2023)** | | | | | | | |
| **2023** | **290,710** | **-** | **24,820** | **-** | **116,080** | **431,610** | **-** |
| 2022 | 280,000 | - | 28,000 | - | 215,803 | 523,803 | - |
| **Total compensation** | | | | | | | |
| **2023** | **959,607** | **-** | **49,021** | **-** | **116,080** | **1,124,709** | **-** |
| 2022 | 650,000 | - | 28,000 | - | 215,803 | 893,803 | - |

(1) The fair value of the options is calculated at the date of grant using a Black Scholes option valuation model and allocated to each reporting period evenly over the period from the grant date to vesting date. The value disclosed is the fair value of the options recognised in this reporting period.

(2) Includes personal exertion fees of $44,450.

(3) During the 2023FY 40,000,000 options were issued to director Mr John Dorward. These options lapsed when Mr Dorward resigned on 16 June 2023 as their service condition had not been met.

There were no options or performance rights granted to Key Management Personnel as compensation during the reporting period, other than those set out below.

**Options and Performance Rights granted as compensation**

Options and performance rights are issued at no cost to Directors and Executives as part of their remuneration. The options and performance rights are not issued based on performance criteria, but are issued to increase goal congruence between Executives, Directors and Shareholders.

Options issued to Key Management Personnel during the year are as follows (2022: nil). These options lapsed upon resignation of Mr John Dorward on 16 June 2023.

| | Grant Date | Exercise Price | Number Granted | Number Vested | Expiry Date | Volatility | Fair Value per security at grant date (cents) | Exercised Number |
|---|---|---|---|---|---|---|---|---|
| **Options** | | | | | | | | |
| ***2023 Financial Year*** | | | | | | | | |
| John Dorward | 18/11/2022 | $0.045 | 40,000,000 | - | 30/11/2026 | 75% | 1.31 | - |

**Exercise of options and performance rights granted as compensation**

During the reporting period, there were Nil shares issued on the exercise of options and performance rights previously granted as compensation, and there were no modifications to the terms of previously granted options.

**Additional disclosures relating to Key Management Personnel**

***Shareholding***

The numbers of shares in the Company held during the financial year by each Director of Vital Metals Limited and other Key Management Personnel of the Group, including their personally-related parties, are set out below.

**2023**

| | Balance at start of the year | Acquired during the year | Disposed of during the year | Balance at end of the year * |
|---|---|---|---|---|
| ***Directors of Vital Metals Limited*** | | | | |
| **Ordinary shares** | | | | |
| Evan Cranston | 16,528,998 | - | - | 16,528,998 |
| Geoff Atkins | 93,449,547 | - | (1,300,000) | 92,149,547 |
| James Henderson | 208,296,342 | - | (110,000,000) | 98,296,342 |
| Richard Crookes | - | - | - | - |
| Paul Quirk | - | - | - | - |
| Lisa Riley | - | - | - | - |
| John Dorward | - | 10,766,655 | (10,766,655) | - |
| | 318,274,887 | 10,766,655 | (122,066,655) | 206,974,887 |
| ***Other Key Management Personnel*** | | | | |
| Russell Bradford | - | - | - | - |
| Anthony Hadley | - | - | - | - |
| | 318,274,887 | 10,766,655 | (122,066,655) | 206,974,887 |

** Where director resigned during the year, as at date of ceasing to be a Director*

***Option and Performance Rights holding***

The number of performance rights and options over ordinary shares in the Company held during the financial year by each Director of Vital Metals Limited and other Key Management Personnel of the Group, including their personally-related parties, are set out below:

| 2023 | Balance at start of the year | Granted as compensation | Exercised | Expiry | Lapsed | Balance at end of the year * | Vested and exercisable |
|---|---|---|---|---|---|---|---|
| ***Directors of Vital Metals Limited*** | | | | | | | |
| **Options** | | | | | | | |
| Evan Cranston | 180,000,000 | - | - | - | - | 180,000,000 | 180,000,000 |
| Geoff Atkins | 90,000,000 | - | - | - | - | 90,000,000 | 90,000,000 |
| James Henderson | 60,000,000 | - | - | - | - | 60,000,000 | 60,000,000 |
| Richard Crookes | - | - | - | - | - | - | - |
| Paul Quirk | - | - | - | - | - | - | - |
| Lisa Riley | - | - | - | - | - | - | - |
| John Dorward | - | 40,000,000 | - | - | (40,000,000) | - | - |
| | 330,000,000 | 40,000,000 | - | - | (40,000,000) | 330,000,000 | 330,000,000 |
| **Other Key Management Personnel** | | | | | | | |
| **Options** | | | | | | | |
| Russell Bradford | - | - | - | - | - | - | - |
| Anthony Hadley | 18,000,000 | - | - | - | - | 18,000,000 | 18,000,000 |
| | 18,000,000 | - | - | - | - | 18,000,000 | 18,000,000 |
| Total | 348,000,000 | 40,000,000 | - | - | (40,000,000) | 348,000,000 | 348,000,000 |

** Where director resigned during the year, as at date of ceasing to be a Director*

***Loans to Key Management Personnel***

There were no loans to Key Management Personnel during the year (2022: nil).

***Other transactions with Key Management Personnel***

There were no other transactions with Key Management Personnel during the year other than salaries and wages, as disclosed in the remuneration report except the following transactions conducted on an arm's length basis:

- Advisory and financial services fees paid to Transocean Securities Pty Ltd, a company related to Mr James Henderson, totalling $45,000 (2022: Nil); and
- Capital raising fee paid to Transocean Securities Pty Ltd, a company related to Mr James Henderson, totalling $110,000 (2022: Nil).

**Securities Trading Policy**

The Company's Securities Trading Policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options. The Company's Securities Trading Policy defines dealing in company securities to include:

(a) Subscribing for, purchasing or selling Company Securities or entering into an agreement to do any of those things;
(b) Advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family company or family trust) to trade in Company Securities; and
(c) Entering into agreements or transactions which operate to limit the economic risk of a person's holdings in Company Securities.

The Securities Trading Policy details acceptable and unacceptable times for trading in Company Securities including, detailing potential civil and criminal penalties for misuse of "inside information". The Directors must not deal in Company Securities without providing written notification to the Chairman. The Chairman must not deal in Company

Securities without the prior approval of the Chief Executive Officer. The Directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares.

**Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')**

At the 2022 AGM, 98.53% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

**End of Audited Remuneration Report.**

**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 25.

This report has been made in accordance with a resolution of the Board of Directors pursuant to s.298 (2) of the Corporations Act 2001.

Signed in accordance with a resolution of the directors

R.A. Crookes

Richard Crookes
Interim Chairman
Sydney: 5 October 2023

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Australia

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

As lead auditor of Vital Metals Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vital Metals and the entities it controlled during the period.

**Neil Smith**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

5 October 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Sundry income | 1.1 | 32,809 | 92,553 |
| | | 32,809 | 92,553 |
| Other income and expense | | - | (2,553) |
| Exploration and evaluation expenditure | | (1,181,759) | (565,990) |
| Administration expenses | 1.1 | (5,825,775) | (3,615,565) |
| Depreciation | | (1,669,209) | (759,990) |
| Share based payments expense | 8.1 | (144,531) | (532,562) |
| Impairment of assets in Saskatoon | 1.1 | (42,892,519) | - |
| **Total expenses** | | **(51,713,793)** | **(5,476,660)** |
| **Loss from continuing operations** | | **(51,680,985)** | **(5,384,107)** |
| Finance income | | 420,092 | 657,700 |
| Finance costs | | (420,302) | (43,698) |
| Net finance income/ (cost) | | (209) | 614,002 |
| **Loss before income tax** | | **(51,681,194)** | **(4,770,105)** |
| Income tax expense | 1.2 | - | - |
| **Loss after income tax** | | **(51,681,194)** | **(4,770,105)** |
| **Net loss for the year** | | **(51,681,194)** | **(4,770,105)** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Foreign currency translation differences for foreign operations | | 386,737 | 1,630,074 |
| **Other comprehensive income for the year, net of income tax** | | 386,737 | 1,630,074 |
| **Total comprehensive loss for the year** | | **(51,294,457)** | **(3,140,031)** |

| | Note | 2023 $ | 2022 $ |
|---|---|---|---|
| Loss attributable to: | | | |
| Owners of the Company | | **(51,681,194)** | (4,770,105) |
| | | **(51,681,194)** | **(4,770,105)** |
| Total Comprehensive Loss attributable to: | | | |
| Owners of the Company | | (51,294,457) | (3,140,031) |
| | | **(51,294,457)** | **(3,140,031)** |
| Loss per share and for loss attributable to the ordinary equity holders of the company: | 1.3 | (1.00) cents | (0.11) cents |
| Diluted loss per share for loss attributable to the ordinary equity holders of the company: | 1.3 | (1.00) cents | (0.11) cents |

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

| | Note | 2023 $ | 2022 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 2.1 | 3,620,509 | 5,158,350 |
| Trade and other receivables | 2.2 | 793,724 | 2,712,484 |
| **TOTAL CURRENT ASSETS** | | 4,414,233 | 7,870,834 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 3.1 | 3,916,446 | 17,894,347 |
| Right of use asset | 3.2 | 360,612 | 568,139 |
| Exploration and evaluation expenditure | 3.3 | 19,484,535 | 13,531,005 |
| Mine under development | 3.4 | 31,407,129 | 26,532,671 |
| Inventory | 3.5 | 3,249,982 | 2,621,782 |
| **TOTAL NON-CURRENT ASSETS** | | 58,418,704 | 61,147,944 |
| **TOTAL ASSETS** | | 62,832,937 | 69,018,778 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 2.3 | 2,384,143 | 6,402,913 |
| Government loans | 3.6 | 143,037 | 35,498 |
| Financial liabilities | 3.7 | 674,929 | 229,112 |
| Provisions | | 165,381 | 103,709 |
| **TOTAL CURRENT LIABILITIES** | | 3,367,490 | 6,771,232 |
| **NON-CURRENT LIABILITIES** | | | |
| Government loans | 3.6 | 3,391,939 | 386,399 |
| Financial liabilities | 3.7 | 2,831,261 | 316,539 |
| Provisions | | 887,028 | 880,550 |
| **TOTAL NON-CURRENT LIABILITIES** | | 7,110,228 | 1,583,487 |
| **TOTAL LIABILITIES** | | 10,477,719 | 8,354,720 |
| **NET ASSETS** | | **52,355,218** | **60,664,058** |
| **EQUITY** | | | |
| Contributed equity | 4.1 | 150,394,157 | 107,553,071 |
| Reserves | 4.2 | 10,262,367 | 9,731,099 |
| Accumulated losses | | (108,301,306) | (56,620,112) |
| **TOTAL EQUITY** | | **52,355,218** | **60,664,058** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 30 JUNE 2023

| | Contributed Equity $ | Share-based Payment Reserve $ | Foreign Currency Translation Reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2022** | **107,553,071** | **7,690,378** | **2,040,721** | **(56,620,112)** | **60,664,058** |
| Loss for year | - | - | - | (51,681,194) | (51,681,194) |
| Transferred to accumulated losses | - | - | - | - | - |
| **Other comprehensive income** | - | - | - | (51,681,194) | (51,681,194) |
| Exchange differences on translation of foreign operation | - | - | 386,737 | - | 386,737 |
| **Total other comprehensive income** | - | - | 386,737 | - | 386,737 |
| **Total comprehensive profit/(loss) for the year** | - | - | 386,737 | (51,681,194) | (51,294,457) |
| **Transactions with owners in their capacity of owners** | | | | | |
| Contributions of equity, net of transaction costs | 42,841,086 | - | - | - | 42,841,086 |
| Share based payments | - | 144,531 | - | - | 144,531 |
| **Balance at 30 June 2023** | **150,394,157** | **7,834,909** | **2,427,458** | **(108,301,306)** | **52,355,218** |

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

| | Contributed Equity $ | Share-based Payment Reserve $ | Foreign Currency Translation Reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2021** | **107,265,582** | **7,157,816** | **410,647** | **(51,850,007)** | **62,984,038** |
| Loss for year | - | - | - | (4,770,105) | (4,770,105) |
| Transferred to accumulated losses | - | - | - | - | - |
| **Other comprehensive income** | - | - | - | (4,770,105) | (4,770,105) |
| Exchange differences on translation of foreign operation | - | - | 1,630,074 | - | 1,630,074 |
| **Total other comprehensive income** | - | - | 1,630,074 | - | 1,630,074 |
| **Total comprehensive profit/(loss) for the year** | - | - | 1,630,074 | (4,770,105) | (3,140,031) |
| **Transactions with owners in their capacity of owners** | | | | | |
| Contributions of equity, net of transaction costs | 287,489 | - | - | - | 287,489 |
| Share based payments | - | 532,562 | - | - | 532,562 |
| **Balance at 30 June 2022** | **107,553,071** | **7,690,378** | **2,040,721** | **(56,620,112)** | **60,664,058** |

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

| | Note | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Payments for exploration and evaluation costs | | (163,915) | (590,233) |
| Payments to suppliers and employees | | (5,193,966) | (3,531,722) |
| Payments for inventory | | (1,627,318) | (714,854) |
| Government incentive received | | 26,489 | 92,553 |
| Interest received | | 2,751 | 12,929 |
| Interest paid | | (7,509) | (21,021) |
| **Net cash outflow in operating activities** | 2.1 | **(6,963,468)** | **(4,752,348)** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payments for exploration expenditure | | (6,288,675) | (1,380,021) |
| Payments for mine under development | | (5,211,167) | (13,242,077) |
| Payments for property, plant and equipment | | (31,321,776) | (10,395,467) |
| Payments for Kipawa acquisition deposit | | - | (1,107,321) |
| Payments for rent bond | | - | (23,149) |
| Proceeds from sale of shares | | - | - |
| Proceeds from disposal of non-current assets | | - | 29,867 |
| **Net cash outflow in investing activities** | | **(42,821,618)** | **(26,118,168)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from share issues | | 45,000,000 | - |
| Proceeds from borrowings | | 5,922,200 | 1,043,991 |
| Repayment of borrowings | | (71,518) | - |
| Options exercised | | 160,000 | 287,500 |
| Cost of share capital issued | | (2,318,914) | - |
| Repayment of lease liability | | (444,522) | (252,835) |
| **Net cash from financing activities** | | **48,247,246** | **1,078,656** |
| **Net increase/(decrease) in cash held** | | **(1,537,841)** | **(29,791,860)** |
| Cash at beginning of the year | | 5,158,350 | 34,906,990 |
| Foreign exchange variances on cash | | - | 43,220 |
| **Cash at end of the year** | 2.1 | **3,620,509** | **5,158,350** |

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

**ABOUT THIS REPORT**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Vital Metals Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is also the parent entity's functional currency. Canadian entities adopt Canadian dollars as the functional currency. Vital Metals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 5 October 2023. The Directors have the power to amend and reissue the financial statements.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Vital Metals Limited is a for-profit entity for the purpose of preparing the financial statements.

*(i) Compliance with IFRS*

The consolidated financial statements of the Vital Metals Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*(ii) New accounting standards and interpretations*

New, revised or amended Accounting Standards and Interpretations adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

*(iii) Early adoption of standards*

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2022.

*(iv) New and amended standards not yet adopted by the Group*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. The directors have not early adopted any of these new amended standards and interpretations. The directors are in the process of assessing the impact of the applications of the standard and its amendment to the extent relevant to the financial statement of the Group.

*(v) Historical cost convention*

These financial statements have been prepared under the historical cost convention.

**Principles of consolidation**

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vital Metals Limited ("Company" or "parent entity") as at 30 June 2023 and the results of all subsidiaries for the year then ended. Vital Metals Ltd and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Going concern**
The Group recorded a loss of $51,681,194 for the 30 June 2023 financial year (30 June 2022: loss of $4,770,105) and a cash balance of $3,620,509 (30 June 2022: $5,158,350), a net working capital surplus of $1,046,743 (30 June 2022: $1,099,602), a net cash outflows from operating activities of $6,963,468 (30 June 2022: $4,752,348) and net cash outflow from investing activities of $42,821,618 (30 June 2022: $26,118,168).

As of 28 September 2023, the Board assigned Vital Metals Canada Limited ("VMCL") into bankruptcy under the Bankruptcy and Insolvency Act (Canada) and has appointed MNP Saskatoon as trustee in bankruptcy of VMCL. As a result of the bankruptcy, all the property, assets and undertaking of VMCL have vested in the trustee in bankruptcy, who will liquidate the assets and distribute the proceeds to proven creditors of VMCL in accordance with the applicable priorities.

As a consequence of assigning VMCL into bankruptcy, the assets of that entity have been fully impaired as at 30 June 2023. As at 28 September 2023 VMCL will be deconsolidated from the Group and any amounts realised from the sale of the VMCL assets (which have been impaired to nil as at 30 June 2023) by the trustee in bankruptcy will have an immaterial impact on the Consolidated Statement of Profit or Loss and Other Comprehensive income in the following year.

In addition, subsequent to year end the Group entered into a $2,000,000 short-term loan that matures on 6 December 2023.

The financial report has 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 ordinary course of business. The ability of the Group to continue to as a going concern is impacted by a number of matters including:

- The successful raising of sufficient funding, through debt, equity or other arrangements (or a combination of transactions) to progress the development of the Nechalacho project and working capital requirements; and / or
- The sale of inventory, providing funding from the monetisation of the ore mined at North T.

These conditions indicate a material uncertainty that may cast significant doubt about the Group'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.

The Directors are confident that a funding source is to be found and are currently in discussion with a number of parties. As a result, the financial report has been prepared on a going concern basis.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts (with the exception of the VMCL assets as discussed above) or to the amounts and classification of liabilities should the Group be unsuccessful in raising funds to enable it to realise its assets and discharge its liabilities in the ordinary course of business.

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.

**Impairment of assets**
Assets, except for deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest

levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**Financial instruments**
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial assets
Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Financial liabilities
Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition
Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial assets
A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Derecognition of financial liabilities
A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment
The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Loss allowance is not recognised for:
financial assets measured at fair value through profit or loss; or equity instruments measured at fair value through other comprehensive income.
The Group uses the simplified approach to impairment, as applicable under AASB 9: Financial Instruments:

Simplified approach
The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. diversity of customer base, appropriate groups of historical loss experience, etc).

Recognition of expected credit losses in financial statements
At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

**Share based payments**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions') - refer to Note 8.1.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using an appropriate option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

**Key estimates and judgements**

Key estimates and judgements are discussed in the following notes:

| | |
|---|---|
| Impairment | (Note 1.1) |
| Property, plant and equipment | (Note 3.1) |
| Right of use asset | (Note 3.2) |
| Deferred exploration and evaluation costs | (Note 3.3) |
| Mine Under Development | (Note 3.4) |
| Inventory | (Note 3.5) |
| Contingencies | (Note 7.2) |
| Share based payments | (Note 8.1) |

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. FINANCIAL PERFORMANCE

### 1.1. INCOME AND EXPENSES

| | 2023 $ | 2022 $ |
|---|---|---|
| The following significant Income and expense items not separately highlighted in the Statement of Profit or Loss and Other Comprehensive Income are relevant in explaining the financial performance: | | |
| Income: | | |
| Government incentives | 26,489 | 92,553 |
| Sundry income | 6,319 | - |
| | | |
| Administration expenses | 1,307,925 | 759,089 |
| Professional fees | 483,648 | 383,068 |
| Corporate compliance | 1,847,248 | 1,400,610 |
| Personnel expenses | 2,186,954 | 1,072,798 |
| Other administration expense | | |
| Total other administration expenses | 5,825,775 | 3,615,565 |
| | | |
| Personnel expenses | | |
| Wages and salaries | 1,546,846 | 1,169,503 |
| Annual leave | (36,079) | 39,565 |
| Superannuation | 105,001 | 71,855 |
| Recruitment costs | 231,480 | 119,687 |
| Total personnel expenses | 1,847,248 | 1,400,610 |

| | Note | Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income 2023 $ | Amounts recognised on the Balance Sheet 2023 $ |
|---|---|---|---|
| Impairment of Assets in Saskatoon | | | |
| Prepayment | 2.2 | 120,124 | 123,006 |
| Plant and equipment | 3.1 | 39,275,724 | 40,219,105 |
| Right of use asset | 3.2 | 2,600,173 | 2,662,628 |
| Inventory | 3.5 | 896,498 | 918,032 |
| **Total impairment expense** | | **42,892,519** | **43,922,771** |

The impairment expense relates to assets of Vital Metals Canada Limited ("VMCL") that were assessed for impairment at 30 June 2023 as a result of the appointment of a trustee in bankruptcy on 28 September 2023 and fully impaired to their estimated recoverable amount.

The assets and liabilities (Balances Sheet) of VMCL, a foreign operation, are translated to the functional currency (AUD) at exchange rates at the reporting date. The income and expenses (reflected in the Statement of Profit or Loss and Other Comprehensive Income) of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions (an average exchange rate for the year is used).

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity (Refer Reserves Note 4.2).

## 1.2. INCOME TAX

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **(a) The major components of income tax are:** | | |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| *Current income tax* | | |
| Current income tax benefit | - | - |
| *Deferred income tax* | | |
| Relating to origination and reversal of temporary differences | - | - |
| Unused tax losses not recognised as deferred tax asset | - | - |
| Tax rebate from R&D activities | - | - |
| Income tax benefit reported in the Statement of Profit or Loss and Other Comprehensive Income | - | - |
| The aggregate amount of income tax attributable to the financial period differs from the amount calculated on the operating loss. The differences are: | | |
| Accounting loss before taxation | **(51,681,194)** | (4,770,105) |
| Prima facie tax benefit at the Australian tax rate of 30% (2022: 30%) | (15,504,358) | (1,431,032) |

## 1.2 INCOME TAX (CONT.)

| | 2023 $ | 2022 $ |
|---|---|---|
| Add tax effect of: | | |
| Non-deductible items | 400,347 | 568,948 |
| Timing differences and tax losses not recognised | 8,043,663 | 731,116 |
| Differences in tax rate of subsidiaries operating in other jurisdictions | 7,060,348 | 130,967 |
| Income tax expense | - | - |

| | 2023 $ | 2022 $ |
|---|---|---|
| **(b) Deferred income tax:** | | |
| **Statement of Financial Position** | | |
| Deferred income tax at 30 June relates to the following: | | |
| *Deferred tax liabilities* | | |
| Property, plant and equipment – depreciation | - | - |
| Accrued income | - | - |
| Exploration expenses | - | - |
| Right of use asset | - | - |
| Set-off against tax assets | - | - |
| | - | - |
| *Deferred tax assets* | | |
| Tax value of losses carried forward | 12,853,132 | 12,423,648 |
| Set-off of deferred tax liability | - | - |
| Accrued expenses | 40,358 | 20,386 |
| Asset impairments | 8,837,898 | 2,404,020 |
| Employee benefits | 10,694 | 28,205 |
| Other prepayments/capital expenditure | 466,735 | 591 |
| Right of use liability | - | - |
| Non-recognition of deferred tax assets | (22,208,817) | (14,876,850) |
| | - | - |

**(c) Tax losses**

At 30 June 2023, the Consolidated Entity has $13,583,367 (2022: $12,423,648) of taxable losses that are available for offset against future taxable profits of the consolidated entity, subject to the loss recoupment requirements in the Income Tax Assessment Act 1997.

No deferred tax asset has been recognised in the Statement of Financial Position in respect of the amount of these losses, as it is not presently probable future taxable profits will be available against which the Company can utilise the benefit.

| | 2023 $ | 2022 $ |
|---|---|---|
| *Unrecognised deferred tax assets* | | |
| Tax losses – revenue (at 30%) | 13,583,367 | 12,423,648 |

### 1.2 INCOME TAX (CONT.)

**(d) Tax consolidation legislation**

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 3 October 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Vital Metals Limited.

The controlled entities have been fully compensated for all deferred tax assets and liabilities transferred to Vital Metals Limited on the date of forming a tax consolidated group. The entities have also entered into a tax sharing and compensation agreement where the wholly owned entities reimburse Vital Metals Limited for any current income tax payable or receivable by Vital Metals Limited in respect of their activities. The group has decided to use the "separate taxpayer within group" approach in accordance with UIG 1052 to account for the current and deferred tax amounts amongst the entities within the consolidated group

**(e) Corporate Tax Rate**

In 2018, the government enacted a change in the eligibility to access the lower income tax rate for small business entities. For the year ending 30 June 2023, Vital Metals Ltd does not satisfy these requirements and is therefore subject to the corporate tax rate of 30%.

***Accounting policy***

*Current tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 1.3. LOSS PER SHARE

| | 2023 | 2022 |
|---|---|---|
| Basic loss per share – cents per share | (1.00) | (0.11) |
| Diluted loss per share – cents per share | (1.00) | (0.11) |
| The following reflects the loss and share data used in the calculations of basic loss per share and diluted loss per share: | | |
| Net loss | (51,681,194) | (4,770,105) |
| *Weighted average number of shares outstanding:* | | |
| Weighted average number of ordinary shares used in calculating basic loss per share: | 5,163,388,563 | 4,164,674,865 |
| Weighted average number of ordinary shares used in calculating diluted loss per share: | 5,163,388,563 | 4,164,674,865 |

***Classification of securities***

Diluted loss per share is calculated after classifying all options on issue and all ownership-based remuneration scheme shares remaining uncovered at 30 June 2023 that are dilutive as potential ordinary shares. As at 30 June 2023, the company has on issue a total of 435,500,000 options over unissued capital. Diluted loss per share has been calculated excluding the dilutionary effect of the options as the group made a loss for the year and the impact would be to reduce the loss per share.

***Accounting Policy***

*Earnings per share*

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense and after preference dividends by the weighted average number of ordinary shares outstanding during the year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## 1.4. SEGMENT INFORMATION

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

The following is an analysis of the Group's revenue and results by reportable segment:

| | Australia | | Canada | | Burkina Faso | | Tanzania | | Consolidated Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Segment income | - | - | 32,809 | 92,553 | - | - | - | - | **32,809** | **92,553** |
| Interest revenue | 176,320 | 11,109 | 243,772 | 646,591 | - | - | - | - | **420,092** | **657,700** |
| **Total revenue** | 176,320 | 11,109 | 276,581 | 739,144 | - | - | - | - | **452,901** | **750,253** |
| Segment loss | (4,612,210) | (3,322,124) | (46,987,579) | (1,048,870) | - | - | (81,405) | (399,112) | **(51,681,194)** | **(4,770,105)** |
| **Net loss before tax** | (4,612,210) | (3,322,124) | (46,987,579) | (1,048,870) | - | - | (81,405) | (399,112) | **(51,681,194)** | **(4,770,105)** |
| **Segment assets** | 3,010,685 | 8,758,083 | 59,786,261 | 60,225,146 | 35,991 | 35,549 | - | - | **62,832,937** | **69,018,778** |
| **Segment liabilities** | 909,446 | 582,152 | 9,611,744 | 7,815,504 | (43,471) | (42,938) | - | - | **10,477,719** | **8,354,720** |

***Accounting Policy***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

The Group has identified four reportable segments being activities undertaken in Australia, Burkina Faso, Tanzania and Canada. These segments include the activities associated with the determination and assessment of the existence of commercially economic reserves, from the Group's mineral assets in these geographic locations.

Segment performance is evaluated based on the operating profit or loss or cash flows and is measured in accordance with the Group's accounting policies.

## 2. WORKING CAPITAL PROVISIONS

### 2.1. CASH AND CASH EQUIVALENTS

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Cash at bank | 2,073,233 | 4,228,279 |
| Cash held as security deposits | 1,547,276 | 930,071 |
| **Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows** | **3,620,509** | **5,158,350** |
| | | |
| **Reconciliation of Loss after Income Tax to net cash flows from operating activities:** | | |
| Loss after income tax | (51,681,194) | (4,770,105) |
| | | |
| **Non-cash flows from continuing operations:** | | |
| Depreciation | 1,669,209 | 759,990 |
| Share based payments | 144,531 | 532,562 |
| Impairment of assets in Saskatoon | 42,892,519 | - |
| | | |
| **Other Adjustments** | | |
| Loss on sale of non-current assets | - | 1,456 |
| Loss on sale of shares | - | 1,097 |
| | | |
| **Changes in assets and liabilities:** | | |
| Increase / (decrease) in short term deposit | (357,913) | - |
| Increase / (decrease) in receivables | (1,149,927) | (30,535) |
| (Increase) / decrease in payables | (144,770) | (263,793) |
| Increase / (decrease) in inventory | 1,546,231 | (823,272) |
| (Increase)/ decrease in provisions | 61,671 | 39,565 |
| FX Movement | 56,175 | (199,313) |
| **Net cash (used in) operating activities** | **(6,963,468)** | **(4,752,348)** |

**Accounting Policy**

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and at call deposits with banks or financial institutions.

The Group's risk exposure in relation to cash and cash equivalents is further discussed in Note 5.1.

### 2.2. TRADE AND OTHER RECEIVABLES

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Current** | | |
| **Trade and other receivables** | | |
| Trade Debtors | 26,863 | 18,133 |
| Security and other deposits | - | 357,913 |
| Other receivables | 889,867 | 2,336,438 |
| Impairment of other receivables | (123,006) | - |
| | 793,724 | 2,712,484 |
| | | |
| **Cash at bank and short-term bank deposits** | | |
| AAA rating | 3,620,509 | 5,158,350 |

### 2.2 TRADE AND OTHER RECEIVABLES (CONT.)

Carrying value is considered to approximate fair value. Refer to Note 5.1 for the Group's interest rate and liquidity risk.

Other receivables includes a deposit of $nil (2022: $1,107,321) on the Kipawa exploration project.

### 2.3. TRADE & OTHER PAYABLES

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Current** | | |
| Trade creditors and other payables | 1,052,634 | 6,287,293 |
| Accrued expenses | 1,331,509 | 115,620 |
| | 2,384,143 | 6,402,913 |

Carrying value is considered to approximate fair value. Of the total amount of $2,384,143 trade and other payables, $1,597,842 relates to Vital Metals Canada Limited, the subsidiary placed into voluntary bankruptcy on 28 September 2023 (refer note 7.3). Refer to Note 5.1 for the Group's interest rate and liquidity risk.

***Accounting Policy***
Trade creditors and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

## 3. INVESTED CAPITAL

### 3.1. PROPERTY, PLANT AND EQUIPMENT

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Software:** | | |
| At cost | 183,942 | 78,482 |
| Accumulated depreciation | (114,390) | (78,482) |
| | 69,552 | - |
| **Plant and Equipment:** | | |
| At cost | 4,282,861 | 3,977,576 |
| Accumulated Depreciation | (895,573) | (437,308) |
| Impairment of Plant and Equipment | (179,319) | - |
| | 3,207,969 | 3,540,268 |
| **Motor Vehicles** | | |
| At cost | 653,013 | 572,128 |
| Accumulated depreciation | (204,419) | (88,944) |
| Impairment of Motor Vehicles | (56,136) | - |
| | 392,458 | 483,184 |
| **Fixtures and Fittings** | | |
| At cost | 441,796 | 337,295 |
| Accumulated depreciation | (195,329) | (120,066) |
| | 246,467 | 217,229 |
| **Capital Works in Progress** | | |
| At cost | 35,487,682 | 13,301,757 |
| On costs | 4,495,968 | 351,909 |
| Impairment of Capital Works in Progress | (39,983,650) | - |
| | - | 13,653,666 |
| **Total property, plant & equipment – written down value** | **3,916,446** | **17,894,347** |

### 3.1 PROPERTY PLANT AND EQUIPMENT (CONT.)

On costs include directly attributable costs such as:

- costs of employee benefits (as defined in AASB 119 Employee Benefits) arising directly from the construction or acquisition of the item of property, plant and equipment;
- costs of site preparation;
- initial delivery and handling costs;
- costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition (such as samples produced when testing equipment); and
- professional fees

The remaining expenditure commitment relating to the Capital Works in Progress is disclosed in Note 7.1.

**Movements in carrying amounts**

| 2023 | Software $ | Plant and Equipment $ | Motor Vehicles $ | Fixtures and Fittings $ | Capital Works in Progress $ | Total $ |
|---|---|---|---|---|---|---|
| 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 |
| Write-offs | - | - | - | - | - | - |
| 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 June 2023** | **69,552** | **3,207,969** | **392,458** | **246,467** | **-** | **3,916,446** |

| 2022 | $ | $ | $ | $ | $ | $ |
|---|---|---|---|---|---|---|
| Opening net book value | 26,161 | 2,952,360 | 57,901 | 239,619 | - | 3,276,041 |
| Additions | - | 994,260 | 531,051 | 67,377 | 13,653,666 | 15,246,354 |
| Exchange differences | - | 12,898 | 2,515 | 2,915 | - | 18,328 |
| Write-offs | - | - | - | - | - | - |
| Disposals | - | - | (28,517) | - | - | (28,517) |
| Depreciation Expense | (26,161) | (419,250) | (79,767) | (92,681) | - | (617,859) |
| **Balance at 30 June 2022** | **-** | **3,540,268** | **483,184** | **217,229** | **13,653,666** | **17,894,347** |

***Key estimates and judgements (PPE)***

The estimations of useful lives, residual values and depreciation methods require management judgements and are regularly reviewed. If they need to be modified, the depreciation expense is accounted for prospectively from the date of the assessment until the end of the revised useful life (for both the current and future years).

### 3.1 PROPERTY PLANT AND EQUIPMENT (CONT.)

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

The calculation of the depreciate rate could be impacted to the extent that actual productions in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- the effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- unforeseen operational issues

Changes in estimates are accounted for prospectively, if appropriate.

Capital Works in Progress represents capital items (ultimately plant and equipment and directly attributable costs) that have been ordered and partly paid for at the Reporting Date, but where the asset has not been received and/ or is still being constructed at the Reporting Date. Management do not deem the Saskatoon plant as ready for intended use therefore, depreciation has not commenced.

***Accounting Policy***
Each class of property, including software, plant and equipment and motor vehicles is carried at cost less, where applicable, any accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Capital Works in Progress are measured at cost until the capital works are completed and underlying equipment is delivered and installed for use. At the Reporting Date, management will consider if there is any circumstance that has arisen that would require any adjustment to the carrying value of the capital works in progress.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

*Depreciation*
Depreciation is provided on a diminishing value basis on all property, plant and equipment. This is done over the useful lives of the asset to the Company commencing from the time the asset is held ready for use.

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 |

### 3.1 PROPERTY PLANT AND EQUIPMENT (CONT.)

*Impairment of assets*
Assets, except for deferred tax assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Subsequent to year end, Vital Metals Canada Limited was placed into voluntary bankruptcy and its assets fully impaired (refer note 7.3).

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/ amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

### 3.2. RIGHT OF USE ASSET

***Accounting Policy***
AASB 16 eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) on to the balance sheet. As a lessee, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

An assessment is made at inception to determine whether the contract is a lease. A contract is a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the leases payments as an operating expense on a straight-line basis over the shorter of the term of the lease and the estimated useful lives of the assets, as follows:

| **Right of use asset** | **Depreciation period** |
|---|---|
| Land and buildings | 3-10 years |

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Right of use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

### 3.2 RIGHT OF USE ASSET (CONT.)

| **Movements in carrying amounts** | **Land and buildings** | **Total** |
|---|---|---|
| **2023** | **$** | **$** |
| Opening net book value | 568,139 | 568,139 |
| Additions | 3,515,120 | 3,515,120 |
| Depreciation Expense | 1,060,019 | 1,060,019 |
| Impairment | (2,662,628) | (2,662,628) |
| **Balance at 30 June 2023** | **360,612** | **360,612** |
| **2022** | **$** | **$** |
| Opening net book value | 167,829 | 167,829 |
| Additions | 579,098 | 579,098 |
| Depreciation Expense | (178,788) | (178,788) |
| **Balance at 30 June 2022** | **568,139** | **568,139** |

**Lease assets – amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income**

| | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| **Depreciation charge** | | |
| Land and buildings – right of use assets | 1,000,568 | 178,788 |
| Property, plant and equipment | 668,642 | 581,202 |
| **Total depreciation** | **1,669,209** | **759,990** |

Interest expense (included in finance expenses) in relation to leased assets for the year ended 30 June 2023 was $413,895.

### 3.3. EXPLORATION AND EVALUATION

| | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| Costs carried forward in respect of areas of interest in the exploration and evaluation phases: | | |
| Opening net book amount | 13,531,004 | 13,291,395 |
| Exploration expenditure | 6,027,969 | 1,836,652 |
| Exploration expenditure – written off | (74,438) | (254,408) |
| Transferred to mine under development | - | (1,342,635) |
| Closing net book amount | 19,484,535 | 13,531,004 |
| The closing balances relate to the following areas of interest: | | |
| Nechalacho Project, Canada | 19,484,535 | 13,531,004 |
| | 19,484,535 | 13,531,004 |

At each reporting date the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets. As a result of this review, exploration expenditure of $1,181,759 (2022: $565,990) on the Wigu Hill and Kipawa Projects was written off and recognised in the Statement of Profit or Loss as both projects currently do not possess the rights to tenure. Of the $1,181,759 expenditure written off, $1,107,321

### 3.3 EXPLORATION AND EVALUATION (CONT.)

relates to the deposit paid on the Kipawa Project which was previously recorded as a prepayment (refer note 2.2)

A further $38,092 in wages for Wigu Hill was expensed directly to the Statement of Profit or Loss, under personnel expenses.

***Accounting Policy***
The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

The Group reviews the carrying value of exploration and evaluation expenditure on a regular basis to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. This assessment requires judgement as to the status of the individual projects and their estimated recoverable amount.

Exploration and evaluation costs related to areas of interest are carried forward to the extent that:

- The rights to tenure of the areas of interest are current and the Group controls the area of interest in which the expenditure has been incurred, and
- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale, or
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation costs include the acquisition of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling, trenching and sampling; and associated activities relating to the evaluation of the technical feasibility and commercial viability of extracting the mineral resource. General and administrative costs are included in the measurement of exploration and evaluation costs where they are directly related to operational activities in a particular area of interest.

*Significant judgements and estimates*
The above accounting policy requires certain estimates and assumptions on future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available and could have a material impact on the carrying value of deferred exploration and evaluation costs. Exploration and evaluation assets are assessed and reviewed at each reporting date for impairment, where facts and circumstances suggest that the carrying amount of the assets may exceed its recoverable amount. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount and an impairment loss recognised.

At each reporting date the Group undertakes an assessment of the carrying amount of its exploration and evaluation assets.

### 3.4. MINE UNDER DEVELOPMENT

| Mine under Development | 2023 $ | 2022 $ |
|---|---|---|
| Balance at the start of the year | 26,532,671 | 12,938,011 |
| Transferred from deferred exploration and evaluation costs | - | 1,342,635 |
| Additions | 3,987,430 | 11,371,476 |
| Rehabilitation provision | 887,028 | 880,549 |
| Balance at the end of the year | **31,407,129** | **26,532,671** |

***Accounting Policy***

Mine under development includes aggregate expenditure in relation to mine construction, mine development, exploration and evaluation expenditure where a development decision has been made and acquired mineral interests.

Expenditure incurred in constructing a mine by, or on behalf of, the Group is accumulated separately for each area of interest in which economically recoverable reserves and resources have been identified. This expenditure includes direct costs of construction, drilling costs and removal of overburden to gain access to the ore, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads.

Mines under development are accumulated separately for each area of interest in which economically recoverable reserves have been identified and a decision to develop has occurred. This expenditure includes all capitalised exploration and evaluation expenditure in respect of the area of interest, direct costs of development, an appropriate allocation of overheads and where applicable borrowing costs capitalised during development. Once mining of the area of interest can commence, the aggregated capitalised costs are classified under non-current assets as mines in production or an appropriate class of property, plant and equipment.

The Group undertakes regular impairment reviews incorporating an assessment of recoverability of cash generating assets. Cash generating assets relate to specific areas of interest in the Group's mine property assets. The recoverable value of specific areas of interest are assessed by value in use calculations determined with reference to the projected net cash flows estimated under the Life of Mine Plan.

*Significant judgements and estimates*

Production start date

The Group assesses the stage of each mine under development to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under development' to 'Mines in production'. Some of the criteria used to identify the production start date include, but are not limited to:

1. Level of capital expenditure incurred compared with the original development cost estimate;
2. Completion of a reasonable period of testing of the mine plant and equipment;
3. Ability to produce metal in saleable form (within specifications);
4. Ability to sustain ongoing production of metal; and
5. Positive cash flow position from operations.

When a mine development project moves into the production phase, the capitalisation of certain mine development costs and pre-production revenues cease and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions

### 3.4 MINE UNDER DEVELOPMENT (CONT.)

or improvements or mineable reserve development. It is also at this point that amortisation commences. At 30 June 2023, the North T Zone is not considered to be at this stage and therefore, remains as a development asset with no amortisation charge.

Recoverability of North T CGU

The Group undertakes an impairment review to determine whether any indicators of impairment are present. Where indicators of impairment exist, an estimate of the recoverable amount of the Cash Generating Unit (CGU) is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows. Where an impairment loss subsequently reverses, the carrying amount of the asset, other than goodwill, is increased to the revised estimate of its recoverable amount, but only to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

***Impairment assessment of North T cash generating unit***
The North T area of interest is determined to be a separate cash generating unit ('CGU') to the Tardiff area of interest within the Nechalacho Project. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchases or similar transactions are taking place.

As impairment indicators existed at 30 June 2023, the value in use for the CGU has been estimated based on discounted future estimated cash flows (expressed in nominal terms) expected to be generated from the continued use of the CGU. Production and cost assumptions were derived from estimated quantities of recoverable minerals, production levels, operating costs and capital requirements. These cashflows were discounted using a nominal pre-tax discount rate that reflects the weighted average cost of capital of the Group. Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are generated as part of the Group's planning process.

This assessment is in accordance with the relevant accounting standards, taking into consideration the current outlook for commodity pricing and other macroeconomic cost assumptions.

Based on this assessment, no impairment was recognised in relation to the North T assets.

***Key assumptions***
The table below summarises the key assumptions used in the 30 June 2023 year end carrying value assessment:

| | **North T** |
|---|---|
| NdPr price (75% achievement of the NdPr price used) | USD 129,000/t |
| Foreign exchange rate (AUD:CAD) | 0.88 |
| Foreign exchange rate (AUD:USD) | 0.66 |
| Discount rate- pre tax | 16.5% |

*NdPr*
NdPr price assumption is determined based on market price comparisons. As noted above, 75% of this forward price was applied.

*Foreign exchange rates*
Based on spot price.

### 3.4 MINE UNDER DEVELOPMENT (CONT.)

*Discount rate*
In determining the fair value of the CGU, the future real cash flows are discounted using the Group's target nominal pre-tax weighted average cost of capital, with adjustments made to reflect specific risks associated with the CGU. 16.5% has been used for the North T CGU.

*Operating costs*
Life of mine operating cost assumption is based on relevant historic data and life of mine plans.

*Sensitivity*
As disclosed above, the directors have made judgements and estimates in respect of impairment testing of the North T CGU. Should these judgements and estimates not occur, the NPV of the CGU may decrease. The commodity price assumption used would need to decrease by 49% in order for there to be an impairment recognised in the North T CGU.

The Directors believe that other reasonable changes in the key assumptions on which the recoverable amount of the CGU is based would not cause this CGU's carrying amount to exceed its recoverable amount.

### 3.5. INVENTORY

| | 2023 | 2022 |
|---|---|---|
| **Non-current** | **$** | **$** |
| Ore - at cost | 3,249,982 | 1,798,510 |
| Consumables | 918,032 | 823,272 |
| Impairment | (918,032) | - |
| Balance at the end of the year | **3,249,982** | **2,621,782** |

***Accounting Policy***
Ore stockpiles are valued at the lower of cost and net realisable value. Regular reviews are undertaken to establish whether any items are obsolete or damaged, and if so their carrying value is written down to net realisable value.

Inventory is recognised when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Ore is recognised as inventory as soon as it is extracted and an assessment of mineral content is possible.

Consumables are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular and ongoing review is undertaken to determine the extent of any provision for obsolescence.

The Group engaged a mining contractor that has resulted in extraction of ore and improvement of access to the ore body for future periods. On the basis of mining costs incurred, the relevant portion of costs has been allocated to inventory, with the remainder capitalised as Mine under Development costs, representing the removal of overburden material. Net realisable value is the estimated selling price in the ordinary course of business less processing cost and the estimated selling cost.

If the ore stockpile is not expected to be processed in 12 months after reporting date, it is included in Non-Current Assets and the net realisable value is calculated on a discounted cash flow basis. The non-current ore stockpiles represent the stockpiles held at the Group's interest in Yellowknife and Saskatoon that are not expected to be processed in the next 12 months. The determination of the current and non-current portion of ore stockpiles includes the use of estimates and judgements about when ore stockpile draw downs for processing will occur. These estimates and judgements are based on current forecasts and ramp-up schedules. The Group will retain ownership of the inventory as it is held by Cheetah Resources Corporation.

### 3.5 INVENTORY (CONT.)

Subsequent to year end, Vital Metals Canada Limited was placed into voluntary bankruptcy (refer note 7.3) and cosumables held by that entity as at 30 June 2023 have been fully impaired.

*Significant judgements and estimates*
Inventories require certain estimates and assumptions most notably in regard to grades, volumes and densities. Costs are allocated based on the cost of the mining campaign and the total of ore produced over the amount of tonnes mined.

Stockpiles are measured by estimating number of tonnes added and removed from the stockpile, with surveys performed to track volumetric data.

### 3.6. GOVERNMENT LOANS

At the end of the report period, the Group had:

1. $1,430,345 (C$1,261,579) Government unsecured loan with Canadian Northern Economic Development Agency (CanNor) fully drawn down (2022: $1,064,923 (C$946,184)), with terms as follows:
   - Maturity date: 1 January 2033
   - Interest on loan: 0%
   - Repayment terms: agreed repayment schedule, over 10 years, commencing 1 April 2023

2. $5,668,870 (C$5,000,000) Government unsecured loan with PrairiesCan fully drawn down (2022: Nil), with terms as follows:
   - Maturity date: 1 March 2029
   - Interest on loan: 0%
   - Repayment terms: agreed repayment schedule, over 5 years, commencing 1 April 2024

The above unsecured loan received from PrairiesCan is with Vital Metals Canada Limited, the subsidiary placed into voluntary bankruptcy on 28 September 2023 (refer note 7.3).

AASB 9 requires non-current loans that carry no interest are to be measured at fair value using prevailing interest rates for a similar instrument. The notional interest will be unwound over the loan period.

| **Government loans** | **2023**<br>**$** | **2022**<br>**$** |
|---|---|---|
| Current | 143,037 | 35,498 |
| Non-current | 3,391,939 | 386,399 |
| | 3,534,976 | 421,897 |

### 3.7 FINANCIAL LIABILITIES

| | **2023**<br>**$** | **2022**<br>**$** |
|---|---|---|
| Lease liabilities - current | 674,929 | 229,112 |
| Lease liabilities – non current | 2,831,261 | 316,539 |
| | 3,506,190 | 545,651 |

Leases of property where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as financial liabilities. Property leases are recognised at inception at the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in financial liabilities.

The corresponding right of use asset is described in Note 3.2.

## 4. CAPITAL STRUCTURE AND FINANCING ACTIVITIES

### 4.1. CONTRIBUTED EQUITY

| | 2023 $ | 2022 $ |
|---|---|---|
| **(a) Issued and paid-up capital** | | |
| Fully paid ordinary shares | 150,394,157 | 107,553,071 |

| | 2023 Number of shares | 2022 Number of shares | 2023 $ | 2022 $ |
|---|---|---|---|---|
| **(b) Movements in shares on issue** | | | | |
| Beginning of the year | 4,170,483,084 | 4,154,233,084 | 107,553,071 | 107,265,582 |
| Issued during the year: | | | | |
| Issue of shares on capital raisings | 1,125,000,000 | - | 45,000,000 | - |
| Issue of shares on exercise of options | 10,666,667 | 16,250,000 | 160,000 | 287,500 |
| | 1,135,666,667 | 4,170,483,084 | 45,160,000 | 107,553,082 |
| Transaction costs on capital raisings | - | - | (2,318,914) | (11) |
| End of the year | 5,306,149,751 | 4,170,483,084 | 150,394,157 | 107,553,071 |

| **(c) Movements in options on issue** | Number of options 2023 | Number of options 2022 |
|---|---|---|
| Beginning of the financial year | 446,833,334 | 443,083,334 |
| Issued during the year: | | |
| – Exercisable at 7 cents and expiring 22 December 2024 | - | 20,000,000 |
| – Exercisable at 4.5 cents and expiring 30 November 2026 | 40,000,000 | - |
| Exercised during the year: | | |
| – Exercised at 1 cent and expiring 17 November 2021 | - | (6,250,000) |
| – Exercised at 1.5 cents and expiring 19 July 2022 | (10,666,667) | (5,000,000) |
| – Exercised at 3 cents and expiring 24 December 2023 | - | (5,000,000) |
| Expired/cancelled during the year: | | |
| – Options expired 19 July 2022 | (666,667) | - |
| – Options lapsed during the year | (40,000,000) | - |
| End of the financial year | 435,500,000 | 446,833,334 |

**(d) Terms and condition of contributed equity**

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### 4.1 CONTRIBUTED EQUITY (CONT.)

**(e) Capital risk management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. The Board's focus has been to raise sufficient funds through equity (via rights issues and placements) to fund exploration and evaluation activities. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Management also monitor capital through the assessment of adequate working capital. The working capital as at 30 June 2023 is shown below:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Current assets | 4,414,234 | 7,870,834 |
| Current liabilities | (3,367,490) | (6,771,232) |
| Working capital | 1,046,744 | 1,099,602 |

***Accounting Policy***

***Ordinary shares are classified as equity***

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a share buyback, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

### 4.2. RESERVES

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Share based payment reserve | | |
| Opening balance | 7,690,378 | 7,157,816 |
| Movement for the year | 144,531 | 532,562 |
| Closing balance | 7,834,909 | 7,690,378 |
| | | |
| Foreign Currency Translation Reserve | | |
| Opening balance | 2,040,721 | 410,647 |
| Movement for the year | 386,739 | 1,630,074 |
| Closing balance | 2,427,460 | 2,040,721 |
| **Total Reserves** | **10,262,369** | **9,731,099** |

**(i) Share based payment reserve**

The share-based payments reserve is used to recognise the fair value of options issued. Refer to Note 8.1 for details.

**(ii) Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described below. The reserve is recognised in profit or loss when the net investment is disposed of.

### 4.2 RESERVES (CONT.)

***Accounting Policy***

(i) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities, denominated in foreign currencies, are recognised in profit or loss.

*(ii) Foreign operations*

The assets and liabilities of foreign operations are translated to the functional currency as exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

### 4.3. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

## 5. RISK

### 5.1. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments other than receivables that potentially subject the Group to concentrations of credit risk consist principally of cash deposits. The Group places its cash deposits with high credit quality financial institutions, being in Australia one of the major Australian (big four) banks. Cash holdings in other countries are not significant. The Group's cash deposits are all on call or in term deposits and attract a rate of interest at normal short-term money market rates.

The Group's exposure to credit risk is low and limited to cash and cash equivalents and other receivables. All cash and cash equivalents total $3,620,509 as at 30 June 2023 (2022: $5,158,350) are held with financial institutions that have a AAA credit rating (Standard & Poor's).

### 5.1 FINANCIAL RISK MANAGEMENT (CONT.)

The maximum exposures to credit risk are the amounts as shown in the Statement of Financial Position.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

**(b) Cash flow interest rate risk**

The Group's exposure to the risks of changes in market interest rates, foreign exchange rates, and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to fluctuations in foreign exchange rates of the Canadian Dollar in respect of its operations in Canada and CFA Franc in relation to its activities in Burkina Faso. The group maintains minimal working capital in Canada and Burkina Faso and only transfers cash funds as required, as such the Consolidated Statement of Financial Position exposure at any point in time is not significant. Foreign

exchange risk will also arise from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group is also exposed to fluctuations in interest rates in relation to its cash deposits and commodity prices in relation to the carrying value of its exploration and evaluation assets. The Group monitors all of the above-mentioned risks and takes action as required.

The Group's exposure to interest rate risk, and the effective weighted average interest rate for each class of financial asset and financial liability is set out below:

| 2023 | Weighted Average Effective Interest Rate 2023 % | Variable Interest Rate 2023 $ | Fixed Interest Rate Maturing Within 1 Year 2023 $ | Fixed Interest Rate Maturing 1-5 Years 2023 $ | Non-Interest Bearing 2023 $ | Total 2023 $ |
|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | |
| Cash at bank | 1.40 | 3,620,509 | - | - | - | 3,620,509 |
| Trade and other receivables | - | - | - | - | 793,724 | 793,724 |
| **Total financial assets** | | **3,620,509** | **-** | **-** | **793,724** | **4,414,233** |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | - | - | - | - | 2,384,143 | 2,384,143 |
| Government loans | - | - | - | - | 3,534,976 | 3,534,976 |
| Financial liabilities | - | - | - | - | 3,506,190 | 3,506,190 |
| **Total financial liabilities** | | **-** | **-** | **-** | **9,425,309** | **9,425,309** |

### 5.1 FINANCIAL RISK MANAGEMENT (CONT.)

| 2022 | Weighted Average Effective Interest Rate 2023 % | Variable Interest Rate 2023 $ | Fixed Interest Rate Maturing: Within 1 Year 2023 $ | Fixed Interest Rate Maturing: 1-5 Years 2023 $ | Non-Interest Bearing 2023 $ | Total 2023 $ |
|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | |
| Cash at bank | 0.25 | 5,158,350 | - | - | - | 5,158,350 |
| Trade and other receivables | - | - | - | - | 2,712,484 | 2,712,484 |
| **Total financial assets** | | **5,158,350** | **-** | **-** | **2,712,484** | **7,870,834** |
| **Financial liabilities:** | | | | | | |
| Trade and other payables | - | - | - | - | 6,402,913 | 6,402,913 |
| Government loans | - | - | - | - | 421,888 | 421,888 |
| Financial liabilities | - | - | - | - | 545,651 | 545,651 |
| **Total financial liabilities** | | **-** | **-** | **-** | **7,370,452** | **7,370,452** |

At 30 June 2023, if interest rates had changed by -/+ 25 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Group would have been $4,074 higher/lower (2022: -/+ 25 basis points, $9,251 higher/lower) as a result of lower/higher interest income from cash and cash equivalents.

***Sensitivity Analysis***

At the reporting date, the variable interest profile of the Group's interest-bearing financial instruments were:

| | 2023 $ | 2022 $ |
|---|---|---|
| **Financial assets** | 1,629,603 | 3,700,269 |
| 0.25% (2021- 0.25%) increase | 4,074 | 9,251 |
| 0.25% (2021- 0.25%) decrease | (4,074) | (9,251) |

**(c) Liquidity risk**

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group has limited access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are due within 12 months of the reporting date. All other financial liabilities were fully repaid during the year.

### 5.1 FINANCIAL RISK MANAGEMENT (CONT.)

The following are the contractual maturities of trade and other payables.

| Group: at 30 June 2023 | Less than 6 months | 6 – 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets) /liabilities |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Trade and other payables | 2,384,143 | - | - | - | - | 2,384,143 | 2,384,143 |
| Financial liabilities | 674,929 | - | - | - | - | 674,929 | 674,929 |

| Group: at 30 June 2022 | Less than 6 months | 6 – 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets) /liabilities |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Trade and other payables | 5,763,290 | 430,262 | 499 | 208,862 | - | 6,402,913 | 6,402,913 |
| Financial liabilities | - | 229,112 | - | - | - | 229,112 | 229,112 |

**(d) Foreign Exchange Risk**

A risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the consolidated entity's functional currency.

The Group operates internationally, with its major assets being held in Canada, and is exposed to foreign exchange risk arising from currency exposures to the Euro, FCFA (fixed to the Euro), Tanzanian Shilling and Canadian Dollar. Historically, given the level of expenditure and available funding, the Group considered its exposure to foreign exchange risk was manageable and hedging policies were not adopted. The Company, through the Managing Director and the Financial Officer regularly monitor movements in the foreign currencies that the Company is exposed to. If appropriate, and from time to time, the Company may enter into forward foreign exchange contract to minimise its exposure to foreign exchange risks. The Company also has foreign currency denominated accounts that are utilised to manage this risk. The Company did not enter into any new forward foreign exchange contracts during the year.

The Board considers policies relating to foreign currency exposure from time to time and, based on available funding, proposed exploration programs and foreign currency exposures, may or may not decide to enter in further forward foreign exchange contracts. The Board will continue to review its position in respect of foreign exchange risk management and will adopt suitable policies as required.

The carrying value of foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2023 AUD | 2022 AUD | 2023 AUD | 2022 AUD |
| CAD | 2,378,963 | 1,239,120 | 12,651,243 | 7,106,941 |
| Euro/CFA | 35,991 | 15,620 | 43,471 | 16,593 |

## 5.1 FINANCIAL RISK MANAGEMENT (CONT.)

***Foreign Currency Sensitivity Analysis***

The Group is mainly exposed to CAD, CFA and Tanzanian Shilling. The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

| | CAD Dollars | | CFA | |
|---|---|---|---|---|
| | **2023 AUD** | **2022 AUD** | **2023 AUD** | **2022 AUD** |
| **Financial Assets** | | | | |
| +10% Appreciation | 237,896 | 123,912 | 3,599 | 1,562 |
| -10% Depreciation | (237,896) | (123,912) | (3,599) | (1,562) |
| **Financial Liabilities*** | | | | |
| +10% Appreciation | 911,627 | 710,694 | 4,347 | 1,659 |
| -10% Depreciation | (911,627) | (710,694) | (4,347) | (1,659) |

* Note – the majority of the balance of financial liabilities relates to capitalised exploration and development expenditure. Therefore, the variations in the balance as shown in the sensitivity analysis would not impact the profit or loss, but rather the carrying value of the capitalised exploration and development expenditure.

***Forward Foreign Exchange Contracts***

As at 30 June 2023 there were no outstanding forward foreign exchange contracts (2022: Nil).

### (e) Fair value of financial instruments

The carrying amounts of all financial assets and liabilities approximate their respective net fair values at reporting date.

*Fair value estimation*

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Trade and other receivables*

Fair value, which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

*Trade and other payables*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

*Borrowings*

Fair value, which is determined for disclosure purposes, at the time of for establishing the financial liability and based on the present value of the remaining cash flows, discounted at the assessed weighted average cost of capital.

## 6. GROUP STRUCTURE

### 6.1. SUBSIDIARIES

The consolidated financial statements include the financial statements of the ultimate parent entity Vital Metals Limited and the subsidiaries listed in the following table:

| Name of Entity | Country of Incorporation | Equity Interest | |
|---|---|---|---|
| | | 2023 | 2022 |
| Cheetah Resources Pty Ltd | Australia | 100% | 100% |
| NWT Rare Earths Ltd | Canada | 50% | 50% |
| Cheetah Resources Corp. | Canada | 100% | 100% |
| Vital Metals Canada Limited[1] | Canada | 100% | 100% |
| Vital Metal Burkina Sarl | Burkina Faso | 100% | 100% |
| Kisaki Mining Company Limited | United Republic of Tanzania | 90% | 90% |

[1] Subsequent to year end, Vital Metals Canada Limited was assigned into bankruptcy (refer note 7.3).

## 7. UNRECOGNISED ITEMS

### 7.1. COMMITMENTS

| EXPENDITURE COMMITMENTS | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **(a) Capital expenditure commitments** | | |
| - Within one year | 3,881,154 | 13,984,606 |
| - Later than one year but not later than five years | - | - |
| **(b) Mineral tenement commitments** | | |
| - Within one year | - | - |
| - Later than one year but not later than five years | - | - |
| | 3,881,154 | 13,984,606 |

$2,587,248 of the above commitments relate to purchase orders of Vital Metals Canada Limited (VMCL), which has been assigned into bankruptcy post year end (refer Events Occuring After the Reporting Period note 7.3). Consequently, all the property, assets and undertakings of VMCL (including the purchase orders) vest in the trustee in bankruptcy, who will liquidate the assets and distribute the proceeds to proven creditors of VMCL in accordance with the applicable priorities.

### 7.2. CONTINGENCIES

There are two royalties in place relating to the Nechalacho Project:

1. A 3% net smelter return royalty.
   a) the royalty holder has agreed to waive their right to the royalty for the first five (5) years following commencement of commercial production at the Nechalacho Project; and
   b) the royalty holder has also agreed to grant an option to pay C$2,000,000 at any time during the eight (8) year period following the acquisition of the Nechalacho Project to cancel the royalty.
2. The Murphy Royalty which is a 2.5% net smelter return royalty held by a third party. Vital holds an option to purchase the royalty for an inflation adjusted fixed amount estimated to currently be C$1,500,000.

### 7.2 CONTINGENCIES (CONT.)

The NWT Mining Regulation require that a sliding scale net profit royalty (ranging between 0% - 14%, based on mine profitability) is payable once the project is in profit and the pre-development costs are recouped.

The Group has obtained several licence permits in Canada on the commencement of operations at Nechalacho. In accordance with these permits, the Group must meet all requirements for waste management, spillage contingency, water management etc., with reclamation costs estimated at $880,549 (C$782,368). The Group holds $880,549 as a deposit in favour of the Canadian Department of Lands as a reclamation security in respect of the permits held. Should the Group not meet all permit requirements in relation to rehabilitation, these funds will be accessed directly by the Canadian Department of Lands to meet the Group's obligations.

Post year end the Board assigned Vital Metals Canada Limited ("VMCL") into bankruptcy under the Bankruptcy and Insolvency Act (Canada) and has appointed MNP Saskatoon as trustee in bankruptcy of VMCL. Vital has provided an indemnity to the landlord of VMCL's premise for payments not made under the lease. In this case, if the recovery in the bankruptcy from the sale of the assets is insufficient to pay out the amount due to the landlord they may seek to recover the shortfall from Vital Metals Limited. The landlord however, has an obligation to mitigate any Vital Metals losses due to this guarantee. The lease term is from 1 November 2021 to 31 October 2031, i.e. approximately 8 years remaining. The cost of the lease is C$356,000 per annum.

The Company has received a statement of claim from the former Managing Director, Geoff Atkins for detrimental coduct and breach of contract. The Company has engaged legal counsel to address this matter and the Board is of the view that the claim is unfounded, resulting in no material exposure for the Group.

### 7.3. EVENTS OCCURING AFTER THE REPORTING PERIOD

On 28 September 2023 the Board assigned Vital Metals Canada Limited ("VMCL") into bankruptcy under the Bankruptcy and Insolvency Act (Canada) and has appointed MNP Saskatoon as trustee in bankruptcy of VMCL. As a result of the bankruptcy, all the property, assets and undertaking of VMCL have vested in the trustee in bankruptcy, who will liquidate the assets and distribute the proceeds to proven creditors of VMCL in accordance with the applicable priorities.

As a consequence of assigning VMCL into bankruptcy, the assets of that entity have been fully impaired as at 30 June 2023. As at 28 September 2023 VMCL will be deconsolidated from the Group . Due to uncertainties relating to the financial outcome of the bankruptcy proceedings and any associated distributions from the trustee in bankruptcy, an assessment of the financial effect of deconsolidation on the Group cannot be made at this stage.

As part of a strategic review process 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. Contemporaneously with its strategic review, 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.

Subsequent to year end, Vital issued a Notice of Termination under the Offtake Agreement, which was delivered to REEtec on 28 September 2023 (Australian time). The Offtake Agreement will terminate 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 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.

### 7.3 EVENTS OCCURING AFTER THE REPORTING PERIOD (CONT.)

On 6 September 2023, Vital advised it had 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.

Material terms of the Loan are as follows:

- Loan Amount - A$2m;
- Maturity date – 3 months from drawdown;
- Interest payable - the Loan Amount will bear interest at the rate of 3% per month. An additional 1% is payable while an event of default subsists;
- Security – General Security Agreement over all the assets of the Company, including the shares which the Company holds in each of its wholly-owned subsidiaries;
- Establishment fee – A$60,000; and
- Options - the Company will issue 200,000,000 Options to the Lenders (or their nominees) with an exercise price of 1.5c with a 1 year expiry date from the date of issue, subject to shareholder approval at the Company's next general meeting.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial 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.

## 8. OTHER INFORMATION

### 8.1. SHARE-BASED PAYMENTS

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

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

| SHARE BASED PAYMENTS | 2023 $ | 2022 $ |
|---|---|---|
| Options issued to directors | - | - |
| Options issued to Employee/Consultant | 144,531 | 532,562 |
| | 144,531 | 532,562 |

The fair value of options issued were calculated by using a Black-Scholes pricing model applying the following inputs.

| | Employee/ Consultant | Employee/ Consultant | Employee/ Consultant | Employee/ Consultant |
|---|---|---|---|---|
| Grant dated | 21/11/2019 | 21/11/2019 | 26/11/2020 | 26/11/2020 |
| Number Issued | 22,500,000 | 22,500,000 | 6,000,000 | 6,000,000 |
| Share price at grant date | $0.13 | $0.13 | $0.036 | $0.036 |
| Exercise price | $0.025 | $0.030 | $0.020 | $0.025 |
| Life of options (years) | 5 | 5 | 4 | 4 |
| Vesting life (years)[2] | 2 | 3 | 1 | 2 |
| Expected share price volatility | 100% | 100% | 117.83% | 117.83% |
| Weighted average risk free interest rate | 0.84% | 0.84% | 0.29% | 0.29% |
| Fair value per option | $0.0084 | $0.0082 | $0.0298 | $0.0289 |

### 8.1 SHARE-BASED PAYMENTS (CONT.)

| | Employee/ Consultant | Employee/ Consultant | Employee/ Consultant | Director |
|---|---|---|---|---|
| Grant dated | 26/11/2020 | 22/12/2021 | 22/12/2021 | 18/11/2022 |
| Number Issued | 6,000,000 | 10,000,000[1] | 10,000,000[3] | 40,000,000[4] |
| Share price at grant date | $0.036 | $0.048 | $0.048 | $0.028 |
| Exercise price | $0.030 | $0.07 | $0.07 | $0.045 |
| Life of options (years) | 4 | 3 | 3 | 4 |
| Vesting life (years)[2] | 3 | - | - | 3 |
| Expected share price volatility | 117.83% | 83.86% | 83.86% | 75.00% |
| Weighted average risk free interest rate | 0.29% | 1.32% | 1.32% | 3.42% |
| Fair value per option | $0.0282 | $0.0217 | $0.0217 | $0.0131 |

Notes:

1. No implied service condition therefore, these options vest immediately
2. These options have a service condition and therefore, vest over the vesting life
3. These options vest upon any of the following conditions being met:
    - Vital Metals exceeds market capitalisation of A$1 billion
    - A US or appropriate other (equivalent) listing obtained, via IPO or other means such as RTO (or equivalent) or ADR listing
    - Change of Control event
    - At Vital Metals' board discretion

    Any of the conditions above must be satisfied and the options exercised within 3 years of the grant date, at which time the options will expire.

    A probability of less than 0% has been applied to achieving these milestones and therefore, nil expense has been recognised for the year ended 30 June 2023.
4. These options vest 1/3rd at a time over three years.. These options lapsed when Mr Dorward resigned on 16 June 2023 as their service condition had not been met.

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

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

For service provider options the value of the service received was unable to be measured reliably and therefore the value was measured by reference to the fair value of the options issued.

**(b) Options**

Set out below are summaries of the options granted:

| | Consolidated | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Number of options | Weighted average exercise price cents | Number of options | Weighted average exercise price cents |
| Outstanding at the beginning of the year | 446,833,334 | 2.70 | 443,083,334 | 2.40 |
| Granted | 40,000,000 | 4.50 | 20,000,000 | 7.00 |
| Exercised | (10,666,667) | 1.50 | (16,250,000) | 1.80 |
| Expired / lapsed | (40,666,667) | 4.50 | - | - |
| Outstanding at year-end | 435,500,000 | 2.70 | 446,833,334 | 2.70 |
| Exercisable at year-end | 425,000,000 | 2.60 | 402,333,334 | 2.50 |
| Un-exercisable at year-end | 10,000,000 | 7.00 | 44,500,000 | 3.80 |

### 8.1. SHARE-BASED PAYMENTS (CONT.)

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.32 years (2021: 2.26 years), and the exercise price ranges from 2.0 to 7.0 cents (2022: 1.0 to 7.0 cents).

Options exercised during the year resulted in 10,666,667 shares (2022: 16,250,000 shares) being issued at an average price of $0.015 each.

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

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

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Options issued to directors * | 525,552 | - |
| Lapsed Options issued to directors * | (525,552) | - |
| Options issued to employees | 144,531 | 315,313 |
| Options issued to consultants | - | 217,249 |
| | 144,531 | 532,562 |

* During the 2023FY 40,000,000 options were issued to director Mr John Dorward. These options lapsed when Mr Dorward resigned on 16 June 2023 as their service condition had not been met.

**(d) Performance shares**
At 30 June 2023, Nil Performance Shares are on issue (2022: Nil).

***Accounting Policy***
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

*Significant judgements and estimates*
The Group has an Incentive Option Scheme ("Scheme") for executives and employees of the Group. In accordance with the provisions of the Scheme, as approved by the shareholders at the November 2020 annual general meeting, executives and employees may be granted options at the discretion of the directors.

Each share option converts into one ordinary share of Vital Metals Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Options issued to directors are not issued under the Scheme but are subject to approval by shareholders.

## 8.2. RELATED PARTY TRANSACTIONS

### (a) Parent entity

The ultimate parent entity within the Group is Vital Metals Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 6.1.

### (c) Key Management Personnel disclosures

**Directors and other Key Management Personnel**

The directors of Vital Metals Limited during the financial year were:

- Richard Crookes
- James Henderson
- Paul Quirk
- Lisa Riley
- Evan Cranston
- Geoff Atkins
- John Dorward

Other Key Management Personnel consisted of:

- Russell Bradford
- Anthony Hadley

**Compensation of Directors and Key Management Personnel**

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Short-term employee benefits | 959,608 | 650,000 |
| Post-employment benefits | 49,021 | 28,000 |
| Termination | - | - |
| Share-based payments | 116,080 | 215,803 |
| | 1,124,709 | 893,803 |

Other disclosures regarding Key Management Personnel are made in the remuneration report on pages 35 to 46.

**Other Transactions with Related Parties**

There were no other transactions with Key Management Personnel during the year other than salaries and wages, as disclosed in the remuneration report except as follows conducted on an arm's length basis:

- Advisory and financial services fees paid to Transocean Securities Pty Ltd, a company related to Mr James Henderson, totalling $45,000 (2022: Nil); and
- Capital raising fee paid to Transocean Securities Pty Ltd, a company related to Mr James Henderson, totalling $110,000 (2022: Nil).

### 8.3. PARENT ENTITY FINANCIAL INFORMATION

The following information relates to the parent entity, Vital Metals Limited, as at 30 June 2023. The information presented here has been prepared using accounting policies consistent with those presented in this report.

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 1,900,108 | 4,083,233 |
| Non-current assets | 5,164,910 | 4,851,135 |
| Inter-company loan | 64,139,924 | 50,351,962 |
| **Total assets** | 71,204,942 | 59,286,330 |
| **Liabilities** | | |
| Current liabilities | 642,197 | 276,626 |
| Non-current liabilities | 243,715 | - |
| **Total liabilities** | 885,911 | 276,626 |
| **Net Assets** | 70,319,031 | 59,009,704 |
| **Equity** | | |
| Issued capital | 150,394,157 | 107,553,083 |
| Reserves | 7,834,911 | 7,690,379 |
| Accumulated losses | (87,910,037) | (56,233,758) |
| **Total equity** | 70,319,031 | 59,009,704 |
| **Financial performance** | | |
| Profit/(loss) for the year | (3,676,279) | (3,207,859) |
| Impairment of Intercompany loan | (28,000,000) | - |
| Other comprehensive income | - | - |
| Total comprehensive Profit/(loss) | (31,676,279) | (3,207,859) |
| **Contingent liabilities and commitments** | - | - |

Vital Metals Limited has provided for all of the loan owing from Vital Metals Canada Limited as this loan will form a part of the creditor pool to which any proceeds from the sale of assets will be distributed (approximately $38m).

There are no parent company guarantees in place at the Reporting date however, the parent entity has provided an indemnity to the landlord of VMCL's premise for payments not made under the lease. In this case, if the recovery in the bankruptcy from the sale of the assets is insufficient to pay out the amount due to the landlord they may seek to recover the shortfall from Vital Metals Limited. The landlord however, has an obligation to mitigate any Vital Metals losses due to this guarantee. The lease term is from 1 November 2021 to 31 October 2031, i.e. approximately 8 years remaining. The cost of the lease is C$356,000 per annum.

## 8.4. REMUNERATION OF AUDITORS

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Amounts received or due and receivable by BDO | | |
| - Audit and review of financial statements by BDO Audit (WA) Pty Ltd | 98,500 | 117,780 |
| - Other amounts received or due and receivable by BDO Reward (WA) Pty Ltd | - | 18,868 |
| - Other amounts received or due and receivable by BDO Law LLP | 8,581 | - |
| Total remuneration | 107,081 | 136,648 |

During the year, BDO Reward (WA) Pty Ltd were engaged to complete a renewal of Canadian Permanent Residence and PR Travel.

## 8.5. OTHER ACCOUNTING POLICIES

***Goods and services tax***

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**VITAL METALS LIMITED AND ITS CONTROLLED ENTITIES**
**ABN 32 112 032 596**

**DIRECTORS' DECLARATION**

In the directors' opinion:

1. the consolidated financial statements comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes set out on pages 32 to 75 are in accordance with the Corporations Act 2001, including

   (a) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and,

   (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2023, comply with Section 300A of the Corporations Act 2001; and

contingencies

The Notes to the Consolidated Financial Statements confirm that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the directors.

R.A. Crookes

Richard Crookes
Interim Chairman
Sydney: 5 October 2023

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Perth, WA 6000
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Australia

**INDEPENDENT AUDITOR'S REPORT**

To the members of Vital Metals Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Vital Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to page 39 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 opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### VMCL Bankruptcy subsequent to balance date

| ***Key audit matter*** | ***How the matter was addressed in our audit*** |
|---|---|
| Subsequent to year end, the company has appointed a Trustee in Bankruptcy to 100% held subsidiary entity, Vital Metals Canada Limited ("VMCL").<br><br>As a result, in accordance with Australian Accounting Standard AASB 136 *Impairment of assets* ("AASB 136"), the Group was required to assess for indicators of impairment that existed at 30 June 2023. The assessment of impairment indicators in relation to the assets in VMCL requires management to make significant accounting judgements and estimates to determine the recoverable balance for each of the assets.<br><br>This was determined to be a key audit matter due to the significant judgement applied in determining the recoverable value of the asset in accordance with Australian Accounting Standard AASB 136 *Impairment of Assets* ("AASB 136") and the significant judgements applied in determining whether any contingent liabilities exist in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* ("AASB 137"). | Our procedures included, but were not limited to:<br><br>• Holding discussions with management to discuss the status of the strategic review of VMCL and subsequent bankruptcy implications;<br><br>• Reviewing management's assessment of the carrying value of all assets in VMCL, confirming that all assets that cannot be supported as recoverable have been impaired in the Statement of Profit or Loss and Other Comprehensive Income;<br><br>• Reviewing management's assessment of VMCL liabilities that existed at 30 June 2023 and the continued recognition of these liabilities at 30 June 2023 in the group consolidation, in line with AASB 9 Financial Instruments ("AASB 9");<br>• Confirming with management and the Group's solicitors that no contingent liabilities should be recognised as at 30 June 2023 in line with AASB 137 as any potential liabilities cannot be deemed probable or reliably measured, therefore there is no present obligation; and<br><br>• Assessing the adequacy of the related disclosures in Notes 7.2 and 7.3 to the Financial Statements. |

## Recoverability of the North T CGU

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| As disclosed in Note 3.4, during the year ended 30 June 2023, impairment indicators existed in relation to the North T cash generating unit (CGU) resulting in the requirement for impairment testing to be performed to determine the CGU's recoverable value.<br><br>As the CGU contains significant assets of the Group, we considered it necessary to assess whether any facts or circumstances exist to suggest that the carrying amount of this CGU may exceed its recoverable amount.<br><br>The recoverable value of the CGU is impacted by various key estimates and judgements in particular:<br>• Ore Reserves and estimates;<br>• Discount rate;<br>• Assumed commodity prices;<br>• Capitalisation of mining costs; and<br>• Mine planning.<br><br>The determination of the recoverable value of the CGU requires management to make significant accounting judgements and estimates which includes the items above.<br><br>This was determined to be a key audit matter due to the significant judgement applied in determining the recoverable value of the CGU in accordance with Australian Accounting Standard AASB 136 *Impairment of Assets* ("AASB 136"). | Our procedures included, but were not limited to:<br>• Assessing the appropriateness of the CGU identification and the allocation of assets and liabilities to the carrying value of the CGU;<br>• Analysing management's commodity price assumptions against external market information to determine whether a significant change would impact the value of the asset;<br>• Challenging the appropriateness of management's discount rate used in the value in use financial model in conjunction with our internal valuation experts;<br>• Agreeing management's reserve assumptions to expert reports and ASX announcements;<br>• Challenging management's sensitivity assessment by performing analysis in respect of the key assumptions in the value in use model to indicate if there would be a significant change to the value of the CGU given changes in assumptions; and<br>• Assessing the adequacy of the related disclosures in Note 3.4 to the Financial Statements. |

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 30 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Vital Metals Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit (WA) Pty Ltd**

BDO

**Neil Smith**

**Director**

Perth

5 October 2023

The Australian Securities Exchange Limited, in respect of listed public companies, requires the following information:

**1. Shareholding**

**(a) Distribution of shareholders as at 12 September 2023 - fully paid ordinary shares**

| Size of Holding | Number of Shareholders | Percentage of Holders | Number of Shares | Percentage of Shares |
|---|---|---|---|---|
| 1 - 1,000 shares | 124 | 1.1% | 18,292 | 0.0% |
| 1,001 - 5,000 shares | 39 | 0.3% | 109,609 | 0.0% |
| 5,001 – 10,000 shares | 1,025 | 9.0% | 8,794,068 | 0.2% |
| 10,000 – 100,000 shares | 6,173 | 54.4% | 272,242,315 | 5.1% |
| 100,001 shares and over | 3,991 | 35.2% | 5,024,985,467 | 94.7% |
| **Total** | **11,352** | **100.0%** | **5,306,149,751** | **100.0%** |

**(b) Marketable Parcels**

The number of shareholdings less than a marketable parcel is 5,027 holders with 104,740,760 shares as at 12 September 2023. The required marketable parcel is $500 (49,900 shares).

**(c) Substantial Shareholders**

As at 12 September 2023, there was one substantial shareholders who had notified the Company in accordance with section 671B of the Corporations Act 2001 as having a substantial interest of 5% or more in the Company's voting securities.

| Substantial Shareholder | Number of Securities | Voting Power |
|---|---|---|
| Lionhead Resources Fund I LP, Lionhead Resources Fund I GP Limited, Lionhead Resources Limited, Lionhead Resources Advisors Limited, LHR CICI I GP Limited, LHR CI I LP, LHR Co-Invest I LP and LHR Investments Coöperatief U.A. ("Other Lionhead Parties") | 750,000,000 | 14.13% |

**(d) Voting Rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction. There are no voting rights attached to any class of options, Performance Rights or Performance Shares on issue.

**(e) On-market Buy-Back**

Currently there is no on-market buy-back of the Company's securities.

**(f) Top Twenty Shareholders of Vital Metals Limited – Ordinary Shares:**

| | Fully Paid Ordinary Shares | Percentage of Total (%) |
|---|---|---|
| LIONHEAD RESOURCES I BV | 750,000,000 | 14.13% |
| CITICORP NOMINEES PTY LIMITED | 264,220,639 | 4.98% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 250,397,556 | 4.72% |
| BT PORTFOLIO SERVICES LTD <CRANSTON S/F A/C> | 145,797,467 | 2.75% |
| TISIA NOMINEES PTY LTD <HENDERSON FAMILY A/C> | 100,000,467 | 1.88% |
| TRANSOCEAN PRIVATE INVESTMENTS PTY LTD <TRANSOCEAN PRIVATE INVES A/C> | 98,296,342 | 1.85% |
| BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP> | 95,064.255 | 1.79% |
| TREASURY SERVICES GROUP PTY LTD <NERO RESOURCE FUND A/C> | 89,415,000 | 1.69% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 67,128,131 | 1.15% |
| ATKINS PROJECTS AND INFRASTRUCTURE PTY LTD <G & C ATKINS FAMILY A/C | 61,099,547 | 1.15% |
| BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 58,394,206 | 1.10% |
| BNP PARIBAS NOMS PTY LTD <IB AU NOMS RETAIL CLIENT DRP> | 54,903,240 | 1.03% |
| PONDEROSA INVESTMENTS WA PTY LTD | 47,000,000 | 0.89% |
| BNP PARIBAS NOMS PTY LTD <DRP> | 43,090,289 | 0.81% |
| TROCA ENTERPRISES PTY LTD <COULSON SUPER A/C> | 40,000,000 | 0.75% |
| RADSTONE CAPITAL PARTNERS SDN BHD | 35,000,000 | 0.66% |
| OCEAN VIEW WA PTY LTD | 33,950,000 | 0.64% |
| KOBIA HOLDINGS PTY LTD | 31,000,000 | 0.58% |
| MR JACK DWYER | 30,649,848 | 0.58% |
| SEAMIST ENTERPRISES PTY LTD | 28,937,310 | 0.55% |
| **Totals: Top 20 Holders of ORDINARY Shares (TOTAL)** | **2,324,344,297** | **43.80%** |
| **Total Remaining Holders Balance** | **2,981,805,454** | **56.20%** |
| **Total All shareholders** | **5,306,149,751** | **100.0%** |

## 2. UNQUOTED EQUITY SECURITIES

The unquoted equity securities outstanding are as follows:

| Number | Class | Holders with more than 20% interest in that class |
|---|---|---|
| 20,000,000 | Unlisted options exercisable at 7.0 cents expiring 9 August 2024 | Ecoban Securities Corporation Limited |
| 90,000,000 | Unlisted options exercisable at 2.0 cents expiring 22 October 2024 | Atkins Projects and Infrastructure Pty Ltd (Geoff Atkins) (30,000,000)<br>Konkera Pty Ltd <Konkera Family A/c> (Evan Cranston) (60,000,000)<br>Jalonex Investments Pty Ltd (20,000,000) (James Henderson) |
| 90,000,000 | Unlisted options exercisable at 2.5 cents expiring 22 October 2024 | Atkins Projects and Infrastructure Pty Ltd (Geoff Atkins) (30,000,000)<br>Konkera Pty Ltd <Konkera Family A/c> (Evan Cranston) (60,000,000)<br>Jalonex Investments Pty Ltd (20,000,000) (James Henderson) |
| 90,000,000 | Unlisted options exercisable at 3.0 cents expiring 22 October 2024 | Atkins Projects and Infrastructure Pty Ltd (Geoff Atkins) (30,000,000)<br>Konkera Pty Ltd <Konkera Family A/c> (Evan Cranston) (60,000,000)<br>Jalonex Investments Pty Ltd (20,000,000) (James Henderson) |
| 28,500,000 | Unlisted options exercisable at 2.0 cents expiring 31 January 2025 | Mathew Edler (12,500,000)<br>Darren Sutton (7,500,000)<br>Anthony Hadley (6,000,000)<br>David Connelly (2,500,000) |
| 28,500,000 | Unlisted options exercisable at 2.5 cents expiring 31 January 2025 | Mathew Edler (12,500,000)<br>Darren Sutton (7,500,000)<br>Anthony Hadley (6,000,000)<br>David Connelly (2,500,000) |
| 28,500,000 | Unlisted options exercisable at 3.0 cents expiring 31 January 2025 | Mathew Edler (12,500,000)<br>Darren Sutton (7,500,000)<br>Anthony Hadley (6,000,000)<br>David Connelly (2,500,000) |

## Distribution of holders of unquoted equity securities

| | Unlisted options ($0.07 @ 9/08/2024) | | Unlisted options ($0.02 @ 22/10/2024) | | Unlisted options ($0.025 @ 22/10/2024) | | Unlisted options ($0.03 @ 22/10/2024) | | Unlisted options ($0.02 @ 22/10/2024) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. of holders | No. of securities | No. of holder | No. of securities | No. of holder | No. of securities | No. of holders | No. of securities | No. of holders | No. of securities |
| 1 – 1,000 | - | - | - | - | - | - | - | - | - | - |
| 1,001 – 5,000 | - | - | - | - | - | - | - | - | - | - |
| 5,001 – 10,000 | - | - | - | - | - | - | - | - | - | - |
| 10,001 – 100,000 | - | - | - | - | - | - | - | - | - | - |
| 100,001 and over | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 2 | 90,000,000 |
| Total | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 1 | 20,000,000 | 2 | 90,000,000 |

| | Unlisted options ($0.025 @ 22/10/2024) | | Unlisted options ($0.03 @ 22/10/2024) | | Unlisted options ($0.02 @ 31/01/2025) | | Unlisted options ($0.025 @ 31/01/2025) | | Unlisted options ($0.03 @ 31/01/2025) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. of holders | No. of securities | No. of holders | No. of securities | No. of holder | No. of securities | No. of holders | No. of securities | No. of holders | No. of securities |
| 1 – 1,000 | - | - | - | - | - | - | - | - | - | - |
| 1,001 – 5,000 | - | - | - | - | - | - | - | - | - | - |
| 5,001 – 10,000 | - | - | - | - | - | - | - | - | - | - |
| 10,001 – 100,000 | - | - | - | - | - | - | - | - | - | - |
| 100,001 and over | 2 | 90,000,000 | 2 | 90,000,000 | 4 | 28,500,000 | 4 | 28,500,000 | 4 | 28,500,000 |
| Total | 2 | 90,000,000 | 2 | 90,000,000 | 4 | 28,500,000 | 4 | 28,500,000 | 4 | 28,500,000 |

### 3. RESTRICTED SECURITIES:

The Company has the following restricted securities: nil

### 4. COMPANY SECRETARY

The name of the Company Secretary is Louisa Martino.

### 5. REGISTERED OFFICE

Level 10, 27-31 Macquarie Place
Sydney, NSW, AUSTRALIA, 2000
Telephone: +61 2 8029 0676
Website: www.vitalmetals.com.au

## 6. REGISTERS OF SECURITIES

Automic Registry Services
Level 5
191 St Georges Terrace
Perth, WA, 6000
Telephone: 1300 288 664

## 7. STOCK EXCHANGE LISTING

Australian Securities Exchange Limited
(ASX Code: VML)
OTCQB Venture Market
(OTCQB Code: VTMXF)