



ANNUAL REPORT 2013

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Corporate Information

ABN 32 112 032 596

Directors

David Macoboy (Non-Executive Chairman)

Mark Strizek (Managing Director)

Andrew Simpson (Non-Executive Director)

Peter Cordin (Non-Executive Director)

Company Secretary

Ian Hobson

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Bankers

Commonwealth Bank

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PERTH WA 6000

Solicitors

Steinepreis Paganin

16 Milligan Street

PERTH WA 6000

Internet Address

www.vitalmetals.com.au

Stock Exchange Listing

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



Company Profile

Vital Metals Ltd ("Vital" or "the Company") is an Australian based emerging tungsten producer and gold explorer, focused on progressing two highly prospective mineral projects: the advanced Watershed Tungsten Project in far north Queensland, Australia and the Doulnia Gold Project in southern Burkina Faso, West Africa.

Vital's flagship Watershed project recently secured environmental approvals from the Queensland government placing it on a solid footing to be developed as the first greenfields tungsten project in Australia for a generation.

Vital is progressing the Watershed project through a feasibility study in a joint venture with JOGMEC (Japan Oil, Gas and Metals Corporation) who have earned 30% of the Project for a spend of \$5.4M. The arrangement with JOGMEC provides for their interest to be transferred to a Japanese company.

Vital holds a 100% interest in the Doulnia Gold Project located in southern Burkina Faso, West Africa. The Project is located in highly prospective Birimian Greenstone terrain with over 850 sq. km of contiguous tenements lying on the trend of the Markoye Fault Corridor and the Bole shear zone and hosting the Kollo Gold Project and Boungou South Gold Prospect.



Chairmans Statement

Dear Shareholders,

It is with great pleasure that I report to you on what has been a pivotal year for your Company with the Environmental Approval being issued for the Watershed Project.

Against a backdrop of turbulence on world resource markets, Vital Metals has succeeded in establishing that its flagship Watershed Tungsten Project in Queensland has the potential to generate significant returns for shareholders.

At the time of writing, Vital was embarking on additional engineering studies aimed at establishing the extent to which an expanded production scenario could reduce costs. The decision to conduct this work was taken in light of the preliminary findings of the feasibility study, which was based on a production profile of one million tonnes a year.

The extended study will focus on a 3Mtpa scenario. Initial indications are that this increase could achieve material reductions in operating costs for relatively little additional capital cost.

The recent fall in the Australian dollar, along with the sharp recovery in tungsten prices and the improved outlook for the metal, have been factors further encouraging Vital to study the economics of this expanded production scenario. The preliminary results of the expanded feasibility study are expected to be completed in the December Quarter, 2013.

Your Board believes the outlook for Watershed is extremely bright, particularly in light of the growing global demand for tungsten. Given our confidence in the future, we believe that the additional time being spent on these studies is warranted.

The Board is grateful to its Japanese partners JOGMEC for its support. JOGMEC has been instrumental in advancing and de-risking the project, helping to relieve some of the financial burden from our shareholders. I would also like to thank Macquarie Bank for its ongoing support. Along with the skills and commitment of our team, these partners have provided highly valuable assistance to Vital as we move through this assessment process.

Finally, thank you to our shareholders. As you would know well, Vital shares have not been immune to the tough conditions experienced on financial markets. However, I am confident that if we hold our course, we will be ideally placed to take full advantage of the opportunities that will present themselves as our project develops and the market for our product grows.



A stylized, handwritten signature in dark ink, appearing to be 'D Macoboy', written on a light background.

David Macoboy
Non-Executive Chairman

Watershed Tungsten Project, Queensland

In another milestone for the project, Vital was issued the final Environmental Authority (EA) for the Watershed project by the Queensland Department of Environment and Heritage Protection. Along with the Indigenous Land Use Agreement the Watershed Project has now completed all of the necessary approvals and is set for the grant of the Mining Leases which are expected before the end of 2013.

These milestones are a key part in Vital's strategy to advance and develop the Watershed Tungsten Project. Our team has been working on multiple fronts to de-risk the technical aspects of the project and secure the necessary approvals to take the Project through to the construction and operations phase.

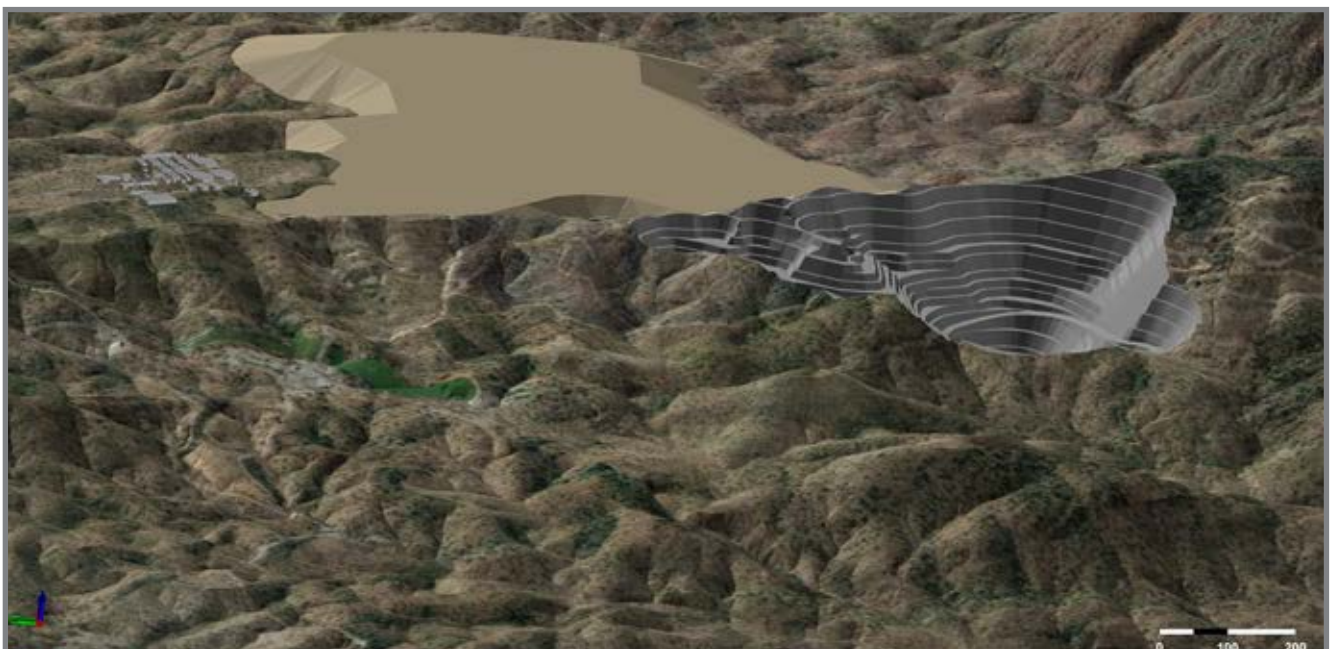
The fundamentals of the tungsten market have been strong with price increases in APT being matched by significant new investment in metal production. Watershed is now well positioned with the grant of Environmental Approval to be ready to provide a stable and reliable supply of tungsten concentrate.

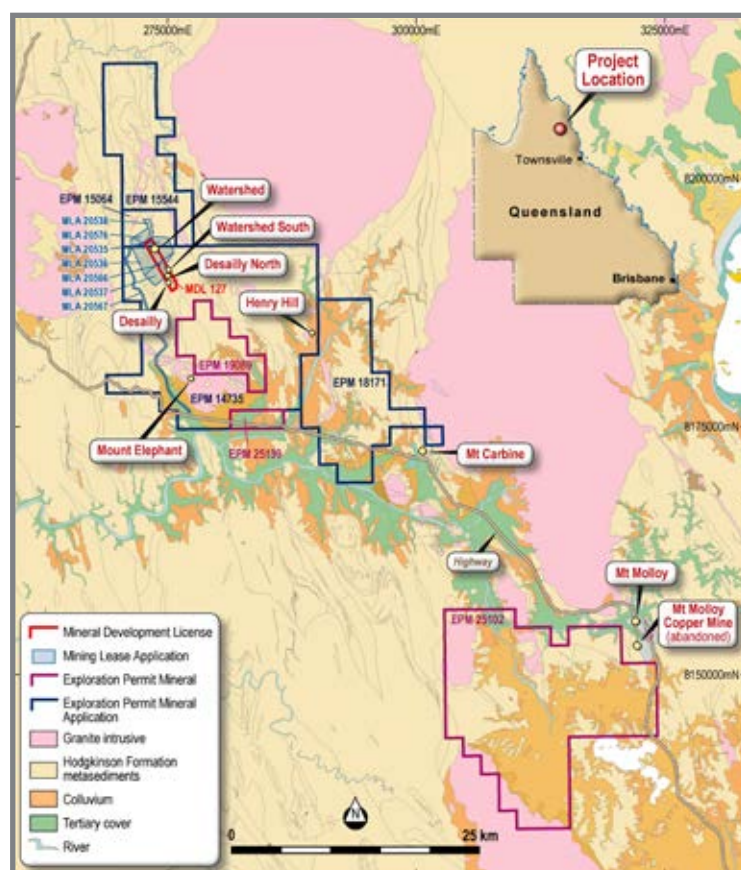
Our joint venture partner, JOMGEC secured their 30% interest in the project during the year. JOGMEC's interest is able to be transferred to a Japanese company that would have an off take interest and responsibility for arranging their share of project finance.

During the year the Guangzhou Research Institute of Non-ferrous Metals completed the development of a flotation flow sheet able to produce a clean Scheelite concentrate. This concentrate with low arsenic and radioactivity will be very attractive on the world market as it's specification means that it could be imported into Japan, the US and Europe.

We are currently assessing the potential to increase the mine capacity from 1Mtpa to 3Mtpa following a review of the initial findings of the feasibility study. There is good potential to reduce ongoing production costs materially by significantly increasing the production profile. This material increase in throughput is supported by the Mineral Resource at Watershed which reports 49.32 Million tonnes at a grade of 0.14% WO₃ using a 0.05% WO₃ cut-off (Mineral Resource Estimates reported to the JORC Code & Guidelines 2004).

We remain extremely positive about the prospectivity of our exploration tenement package around Watershed. Vital and JOGMEC conducted a tenement-wide survey with the aim developing new exploration techniques to assist in the identification of new prospects. Conventional exploration also continues to highlight the prospectivity of our tenements with high grade tungsten rock chip samples from the Mt Elephant and Henry Hill prospects.





Vital expanded its regional exploration activities in the last year on its North Queensland tenements. Work conducted included, reconnaissance mapping, geochemical sampling and hyperspectral surveys.

A hyperspectral airborne survey was planned and carried out in partnership with JOGMEC. The survey covered all exploration permits and was aimed to identify typical alteration zones associated with tungsten, tin and gold mineralisation. Several features of interest were identified and Vital and JOGMEC geologists carried out reconnaissance visits and rock chip sampling to those locations to evaluate their potential and plan further exploration work. This work will continue in the coming year.

A major soil and stream sediment sampling campaign was carried out on EPM 15544 and EPM 18171. A total of 19 soil samples were taken along an arenite ridge that was also identified as an anomaly by the hyperspectral survey within the northern part of EPM15544.

On EPM18171, a total of 71 soil and stream sediment samples were obtained in the north-eastern part of the tenement. An arsenic anomaly was subsequently identified extending for 3km along the range front parallel to the McLeod River. Smaller geochemical anomalies of gold and tungsten were identified overlapping with the arsenic anomaly. The arsenic anomaly is close to a northwest-southeast striking regional structure which is host to the Mt Carbine tungsten deposit and the Henry Hill tungsten prospect. This sampling campaign was the first phase to cover the area between the Henry Hill prospect and the Mt Carbine deposit, the results have increased Vital's confidence in the prospectivity of the area.

EPM14735 is the largest of Vitals exploration tenements in north Queensland and hosts two historical tungsten prospects, Henry Hill and Mt Elephant.

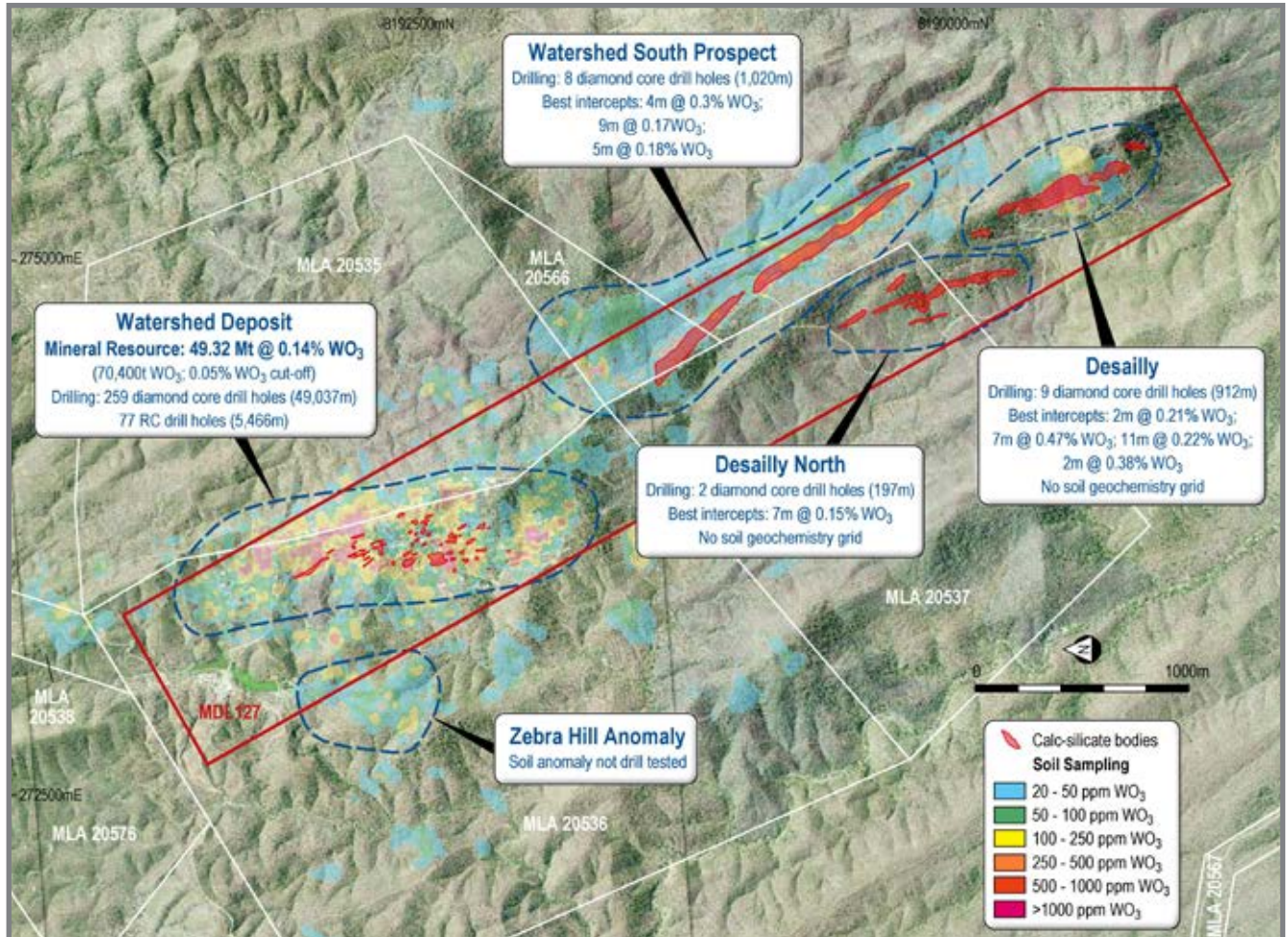
The Henry Hill prospect is located within the valley of the McLeod River approximately 10km north of the Mulligan Highway. Wolframite-bearing quartz veins are hosted by a late Permian granite close to the boundary with Hodgkinson Formation sediments. The prospect was mapped in detail by Vital geologists, grab samples were taken from quartz veins and a soil sampling program was carried out over the prospect. The highest rock chip sample assays yielded between 0.05 and 1.2% WO₃.

The Mt Elephant prospect is located east of the Desailly River and approximately 3km north of the Mulligan Highway. Quartz-scheelite-tourmaline veins are hosted by the late Permian Desailly granite. The veins are up 20cm wide and scheelite in the veins is very coarse grained. The veins show an east-west orientation similar to those at Watershed, it is suggested that the Mt Elephant mineralisation represents the root zone of a Watershed-style mineralisation. Vital and JOGMEC geologists carried out mapping on the prospect and took numerous rock chip samples of mineralised veins and the host granite, identifying mineralisation over an area of about 1km². Vein samples yielded between 0.05 and 4% WO₃ and the host granite showed anomalous high background values of tungsten indicating it was the source of tungsten mineralisation.

Results of the exploration work on Vitals North Queensland tenements in 2013 underlined the outstanding potential of the tenement package, work will continue in the coming year aiming at identifying new drill targets.

Operations Review continued

During the year a review of soil sampling data from 2011 identified the Zebra Hill tungsten prospect just 600m west of the Watershed deposit. The identified soil anomaly is located on a small ridge and has a dimension of around 350m by 150m. While further work is required including drilling this prospect offers good potential to add additional tonnage to the Watershed Project.



Operations Review continued

Tungsten Market

Tungsten is a vital metal critical for our industrialised world. A strategic metal that is irreplaceable for exploration, mining and manufacturing industries relies on supplies from China.

Non-Chinese consumers of tungsten are actively seeking alternative supply and are prepared to invest in exploration projects and mines to secure access to off take.

The strong partnership between Vital and the Japan Oil Gas and Metals Corporation (JOGMEC) is testament to the importance the Japanese government places on tungsten. Currently the Japanese tungsten industry annually imports around 7,000 to 10,000 tonnes of tungsten metal as concentrate, APT and tungsten oxides with the material predominately sourced from China.

Key market watchers forecast that tungsten demand will remain strong with a steady growth of tungsten consumption over the next 10 years to more than double the level of 2010. This will be driven in particular by the growing domestic demand of the Chinese industry which will require imports to supplement local production.

The reduced availability of Chinese tungsten raw materials to the major markets in the EU, USA and Japan will bolster tungsten prices and will give tungsten projects outside of China plenty of opportunity to grow in the coming years.

Tungsten prices appreciated month on month during the year. The price for tungsten (APT EU) climbed from a low US\$325 in January to US\$425 at the end of July where it stabilised. Forecasts predict that the tungsten prices will remain at positive levels (consensus market forecast).



Source: METAL-PAGES

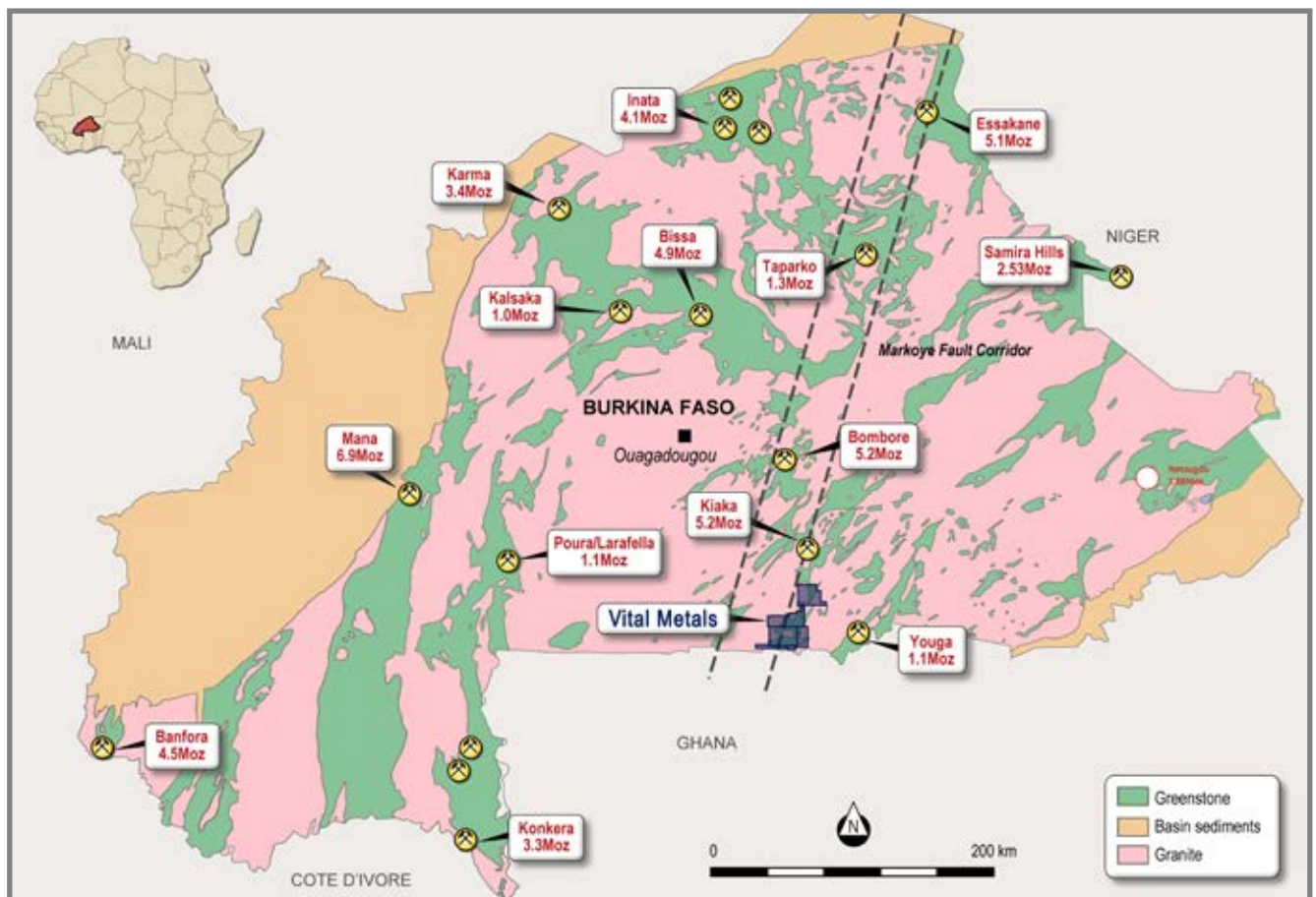
Operations Review continued

Doulunia Gold Project, Burkina Faso

Vital's gold exploration strategy is to target shallow high-grade gold mineralisation hosted in Birimian greenstones located next to the Markoye fault corridor and the Bole shear zone which are proven gold systems and host multi-million ounce deposits. The location of our gold projects is in a supportive pro-mining jurisdiction. The tenements are located close to critical infrastructure necessary for future development. Access to the project from Ouagadougou (160km) is via a sealed road to the town of Po. The Kollo and Boungou South gold projects are located less than 50 km from an operating gold mine plant at Youga. Assay results received to date from drilling on our gold projects indicates that the Vital team are hitting the mark in achieving these objectives with gold mineralisation being extended on the Kollo trend.

Selected gold assay results from our drilling program in 2013 on the Doulunia gold project in Burkina Faso included:

- 3.5m @ 15.47 g/t gold from 35.5m (including 0.5m @ 92.8g/t gold from 38.5m) and 3.49m @ 1.35g/t gold from 55m (KDD002)
- 6m @ 2.49g/t gold from 99m (KRC279)



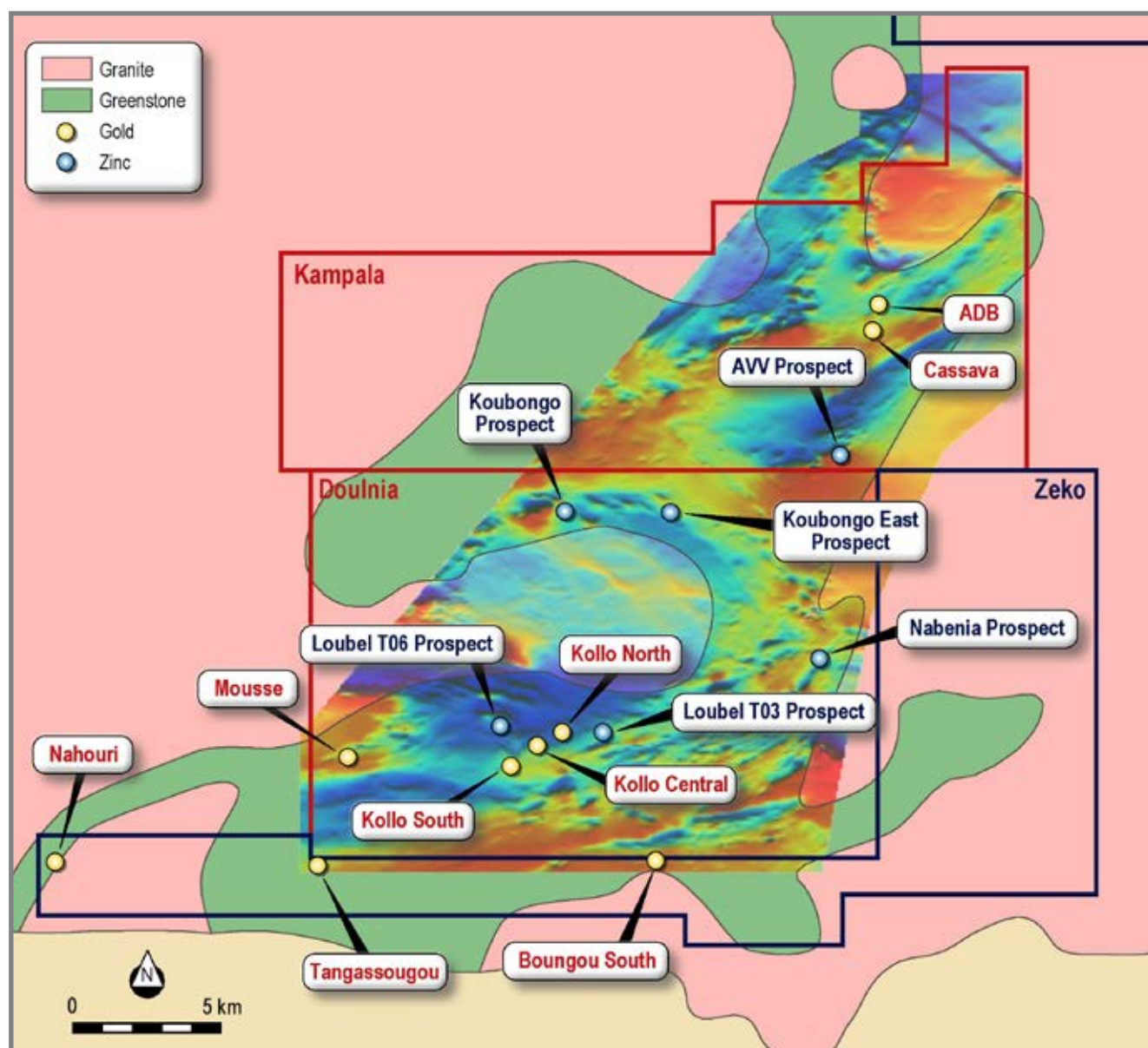
Operations Review continued

Doulnia Tenements

Vital's tenements have been selected due to their favourable location within a Birimian greenstone belt which is situated near the intersection of the Markoye Fault Corridor and the Bole Shear Zone which host the Esse Kane, Bombore, Kiaka and Taparko Deposits for a total of > 17Moz gold resources.

Vital now owns 100 per cent of the Doulnia Gold Project in Burkina Faso following a deal with its joint venture partner Ampella Mining. Ampella will transfer to Vital its 30 per cent stake in two (Doulnia and Kampala) of the four permits which make up the Doulnia Project. Vital will now have 100 per cent ownership of all the permits (Vital already owned the Mediga and Zeko permits).

In return, Ampella will receive a royalty of 2.25 per cent on all gold produced from the Doulnia Project. Vital has a first right of refusal to purchase the royalty interest from Ampella. Under the agreement Ampella has the right to clawback the 30 per cent stake in Doulnia and Kampala if the Project's total JORC resource exceeds one million ounces within two years. As consideration for this stake, Ampella would have to pay an amount equivalent to Vitals' discovery costs and a further lump sum in cash equal to 500% of these costs. A clawback by Ampella would terminate the royalty entitlement on the clawback permits.



2013 Drilling Program

During Q1 2013 the Vital exploration team completed a 1,693m drilling program comprising 13 RC holes (1,432m), 2 DD holes (120m) and one combined RD/DD hole (141m) over the Kollo South and Central gold prospects. The best intercepts of the 2013 drilling campaign at Kollo are:

- 3.5m @ 15.47 g/t gold from 35.5m (including 0.5m @ 92.8g/t gold from 38.5m) and 3.49m @ 1.35g/t gold from 55m (KDD002)
- 2m @ 4.04g/t gold from 61m (KRC278)
- 6m @ 2.49g/t gold from 99m (KRC279)
- 5m @ 3.49g/t gold from 40m (KRC280)
- 2m @ 3.01g/t gold from 49m and 3m @ 2.26g/t gold from 64m (KRC283)
- 2m @ 4.2g/t gold from 146m (KRC284)

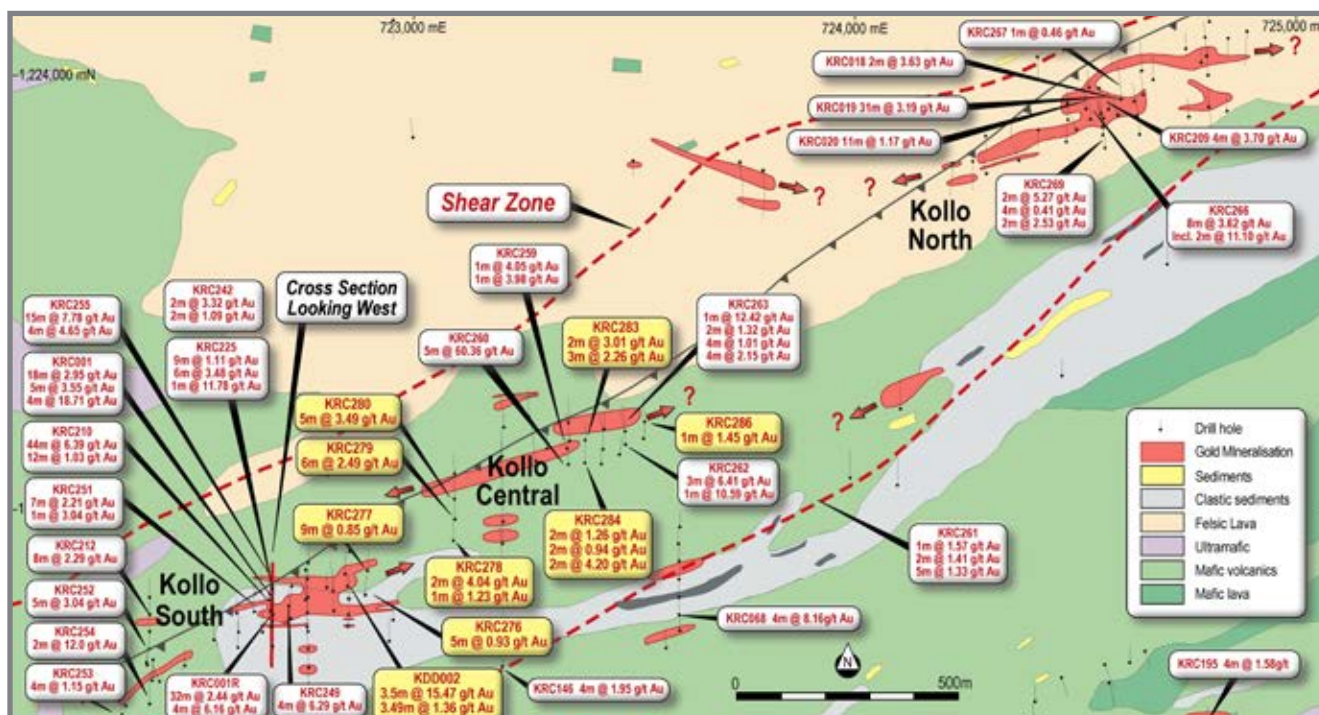
The new drilling results compare favourably to assay results from previous drilling at Kollo which have included:

- 5m @ 60.36 g/t gold from 75m (including 2m @ 128.50 g/t gold from 76m; KRC260)
- 15m @ 7.75 g/t gold from 105m (KRC255)
- 4m @ 6.29 g/t gold from 78m (KRC249)
- 8m @ 3.62 g/t gold from 15m (KRC266)
- 18m @ 2.95 g/t gold from 37m (KRC001)
- 31m @ 3.19 g/t gold from 34m (KRC019)
- 44m @ 6.39 g/t gold from 8m including 4m @ 58 g/t gold from 24m (KRC210)



Extensional drilling targeting the Kollo South – Kollo Central Gap area has been successful in intersecting mineralisation of good widths and grades. It is anticipated that with further work in this area mineralisation will be able to be extended between the two Prospects.

Drilling at Kollo is shallow with the deepest holes drilled to a vertical depth of about 120m. Gold mineralisation is still open at depth. There is active artisanal mining along trend and importantly, approximately 1/3 of the trend remains untested, offering substantial potential for increasing the extent of known gold mineralisation.



Operations Review continued

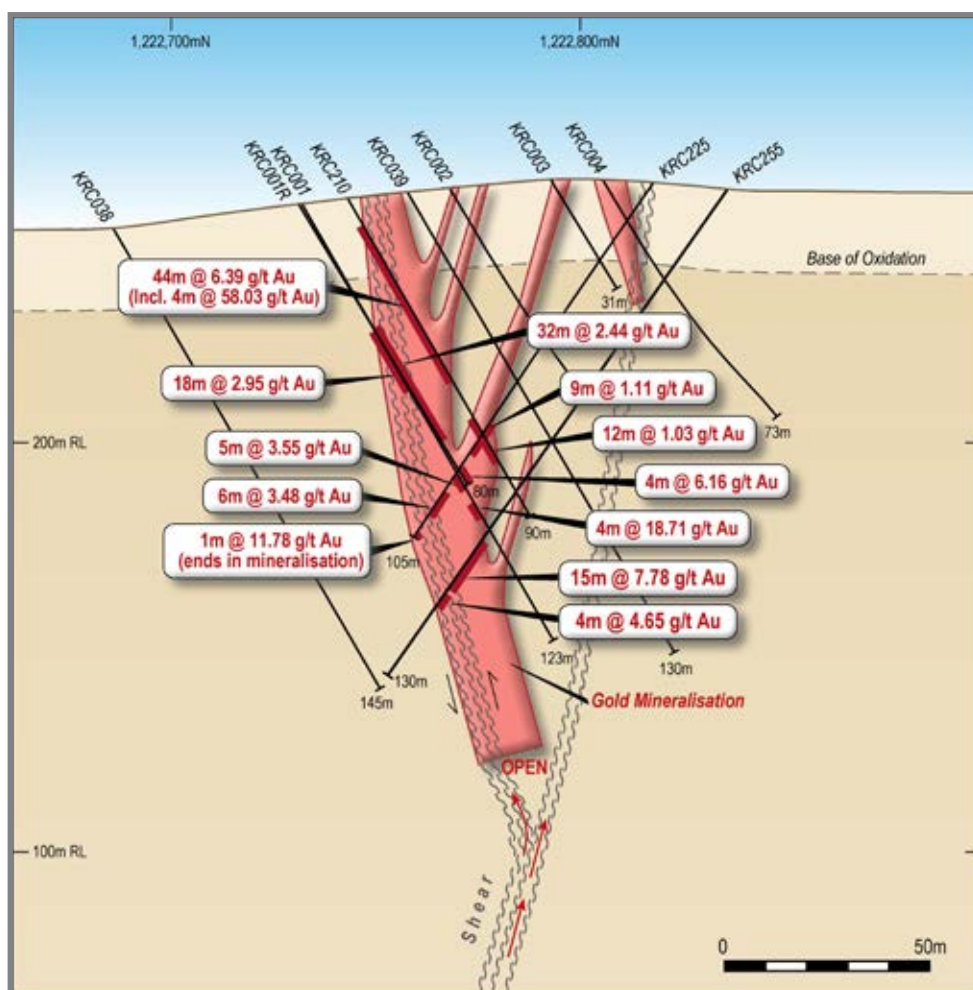
The 2013 drilling program included the first diamond core holes drilled at Kollo. The core provided the geology team the opportunity to obtain structural and density measurements and complete a petrographical study of mineralisation and host lithologies. This new data assisted Vital geologists to refine the geological model of the deposit and will assist in future drill and exploration program planning.

Metallurgical Testwork

Additional metallurgical testwork was completed during the year with Nagrom engaged by Vital to investigate gold recovery achievable via Column Leaching. One representative sample was tested through the leach program the sample was taken from the Kollo South area and comprised of transitional felsic volcanic materials.

The sample was subjected to a 30 day leach in a 0.1m by 2m column with 500ppm NaCN solution at a flow rate of 0.11L/min/m² in the presence of oxygen. After 30 days, more than 90% of the Au was extracted into the solution. This result indicates a high proportion of free gold is most likely present. To date no attempt has been made to determine the optimum cyanide dosing rates and this work remains to be completed.

The results of this metallurgical testwork campaign and the test work completed in 2012 has confirmed that the gold mineralisation at Kollo is free milling and both amenable to heap leaching as well as recovered using conventional CIL process. The results of the most recent round of testwork has advanced the project and has provided a solid foundation on which to develop a resource model and complete future project studies.



Operations Review continued

Burkina Faso Drilling Results

BHID	Drill Type	DIP	Azimuth (UTM)	Depth	From (m)	To (m)	Intersection Length (m)	Gold Assay (g/t)	Gold Intersection
KDD001	DD	-55	360	54.3	2.9	4	1.1	0.82	1.1m @ 0.82g/t from 2.9m
KDD002	DD	-55	360	66.1	35.5	39	3.5	15.47	3.5m @ 15.47g/t from 35.5m
									(inc 0.5m @ 92.8g/t from 38.5m)
					55	58.49	3.49	1.35	3.49m @ 1.35g/t from 55m
KRD001	RC/DD	-55	360	141					NSI
KRC275	RC	-55	180	90	43	44	1	0.54	1m @ 0.54g/t from 43m
KRC276	RC	-55	360	114	19	20	1	0.47	1m @ 0.47g/t from 19m
					62	63	1	0.41	1m @ 0.41g/t from 62m
					69	71	2	0.60	2m @ 0.6g/t from 69m
					81	82	1	0.51	1m @ 0.51g/t from 81m
					87	92	5	0.93	5m @ 0.93g/t from 87m
					98	99	1	0.47	1m @ 0.47g/t from 98m
KRC277	RC	-55	360	60	23	24	1	0.42	1m @ 0.42g/t from 23m
					27	36	9	0.85	9m @ 0.85g/t from 27m
					48	49	1	0.61	1m @ 0.61g/t from 48m
KRC278	RC	-55	360	105	61	63	2	4.04	2m @ 4.04g/t from 61m
					74	75	1	1.23	1m @ 1.23g/t from 74m
KRC279	RC	-55	360	105	99	105	6	2.49	6m @ 2.49g/t from 99m
KRC280	RC	-55	360	105	7	8	1	0.49	1m @ 0.49g/t from 7m
					11	12	1	0.46	1m @ 0.46g/t from 11m
					40	45	5	3.49	5m @ 3.49g/t from 40m
					84	86	2	0.45	2m @ 0.45g/t from 84m
					88	89	1	0.47	1m @ 0.47g/t from 88m
KRC281	RC	-55	360	80	5	6	1	0.71	1m @ 0.71g/t from 5m
KRC282	RC	-55	360	115	46	47	1	0.52	1m @ 0.52g/t from 46m
					87	88	1	0.42	1m @ 0.42g/t from 87m
KRC283	RC	-55	360	100	38	39	1	0.42	1m @ 0.42g/t from 38m
					43	45	2	0.79	2m @ 0.79g/t from 43m
					49	51	2	3.01	2m @ 3.01g/t from 49m
					56	57	1	0.65	1m @ 0.65g/t from 56m
					64	67	3	2.26	3m @ 2.26g/t from 64m
					79	82	3	0.72	3m @ 0.72g/t from 79m
					98	100	2	0.73	2m @ 0.73g/t from 98m
KRC284	RC	-55	360	156	109	111	2	0.45	2m @ 0.45g/t from 109m
					127	129	2	1.26	2m @ 1.26g/t from 127m
					138	140	2	0.94	2m @ 0.94g/t from 138m
					146	148	2	4.20	2m @ 4.2g/t from 146m
KRC285	RC	-55	360	176	18	19	1	0.43	1m @ 0.43g/t from 18m
KRC286	RC	-55	360	96	44	45	1	1.45	1m @ 1.45g/t from 44m
KRC287	RC	-55	360	130					NSI

Mineral Resource and Ore Reserves Statement

Watershed Tungsten Project, Queensland Mineral Resource Statement – 30 June 2013

Vital Metals Ltd Watershed Mineral Resource Statement – 30 June 2013									
WO ₃ % Cut off	Measured Mt	WO ₃ %	Indicated Mt	WO ₃ %	Inferred Mt	WO ₃ %	Combined Mt	WO ₃ %	WO ₃ % Tonnes
0.05	9.47	0.16	28.36	0.14	11.49	0.15	49.32	0.14	70,400
0.1	4.42	0.25	11.51	0.24	4.73	0.26	20.66	0.25	50,700
0.15	2.69	0.34	6.66	0.32	2.83	0.35	12.18	0.33	40,400
0.2	1.93	0.41	4.56	0.39	2.05	0.41	8.53	0.40	34,100
0.3	1.09	0.53	2.40	0.52	1.17	0.54	4.66	0.53	24,600

H & S Consultants Pty Ltd completed an updated resource estimate for the Watershed Tungsten deposit in 2012 that has been classified and reported using JORC Code and Guidelines (2004). H & S Consultants concluded that the resource model estimates were robust and suitable for pit optimisation studies.

The exploration database on which the resource estimates are based contains over 243 holes and 15 costeans for a total of 54,460 metres of which 47,983 metres are diamond core. The resource estimates were generated from 26,226 2m composites in six geologically defined domains with two sub-domains for partially weathered material and fresh rock.

Modelling used Multiple Indicator Kriging with a maximum search distance of 26m by 52.5m by 52.5m and a minimum number of data points of 8 to generate grades for a 10m by 25m by 15m panel size with an SMU of 2.5m by 5m by 2.5m. Classification of the resources was based in part on the assumption that Vital plans to selectively mine the deposit via an open pit method.

Competent Person's Statement

The information in this report that relates to exploration drilling data, exploration results & mineralisation is based on information compiled by Mr Mark Strizek, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Strizek is a full time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Strizek consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The data in this report that relates to Mineral Resources for the Watershed Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion of the estimates in the report of the Mineral Resource in the form and context in which they appear.

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Vital Metals Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2013.

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

David Macoboy, BEcon, BComm (UWA) FAICD, CPA, Non-Executive Chairman, Member of Audit Committee

Mr Macoboy holds a Bachelor of Economics and a Bachelor of Commerce from the University of WA. David is a Fellow of the Australian Institute of Company Directors and a Certified Practising Accountant. He is a former Chairman of Ammtec Limited, AVZ Minerals Limited and Territory Resources Ltd and has served on numerous other boards.

The Directors and Management of the Company believe Mr Macoboy's cross-industry experience, especially in the areas of corporate strategy, finance, treasury, risk management and international fund raising, are skills needed to ensure the company's new West African Gold project is adequately funded, and its existing Tungsten project are appropriately funded and promoted.

Mark Strizek, BSc., MAusIMM, Managing Director

Mr Strizek holds a Bachelor of Science from Macquarie University and is a qualified geologist with over 15 years' experience in the mining industry. He is a Member of the Australasian Institute of Mining and Metallurgy. He has worked in open pit operations and exploration in Western Australia and Queensland. He has also worked with Hellman & Schofield Pty Ltd as a consulting geologist, developing resource models in commodities such as gold, iron ore, nickel and manganese. Prior to joining the Group, he worked with the Mineralogy group of companies where he was involved in project development of iron ore, coal and petroleum resources in both Australia and Papua New Guinea.

Andrew Simpson, Grad Dip. Bus (Curtin), MAICD, Non-Executive Director, Chairman of Audit Committee

Mr Simpson holds a Graduate Diploma in Business and Administration (majoring in Marketing and Finance) from Curtin University and is currently the Managing Director and Principal of Resource and Technology Marketing Services Pty Ltd (RTM) in Perth.

He formed RTM in 1999 to specialise in strategic and business planning, resource project assessment and marketing. RTM is recognised as one of Australia's leading market research consultants to the international mining industry.

Mr Simpson is non-executive Chairman of Swick Mining Services Ltd, Territory Resources Ltd, India Resources Ltd and Kaboko Resources Ltd. He is also a non-executive director of Blackwood Corporation Ltd (formally Matilda Minerals Ltd). Mr Simpson is a Member of the Australian Institute of Company Directors.

Peter Cordin, BE, MIEAust, FAusIMM (CP), Non-Executive Director, Member of Audit Committee

Mr Cordin is a civil engineer with over 35 years experience in the evaluation and operation of resource projects within Australia and overseas. Currently he is the Non-Executive Chairman of Dragon Mining Limited an Australian listed company with gold mines in Sweden and Finland. The company has extensive exploration activities associated with the operations. He has direct experience in the management of diamond and gold operations. He has been involved in the development of resource projects in Kazakhstan and New Caledonia.

Mr Cordin is also a non-executive director of Coal of Africa Limited.

Doug Stewart, BSc., FAusIMM, FAIG, Non-Executive Director (Resigned 16 July 2013)

Mr Stewart has worked in a wide range of senior technical, consulting and operational roles during the course of an expansive career that spans more than 40 years. As well as being the founding Managing Director of Territory Resources Ltd, he was an Associate Director at NM Rothschild for eight years and has had other significant consulting and operational roles internationally.

Mr Stewart also holds non-executive board roles with Conquest Mining and Alara Resources and has a Project Management role with Red Hill Iron Limited.

COMPANY SECRETARY

Ian Hobson, B.Bus, FCA, ACIS, MAICD (Appointed 1 August 2012)

Mr Ian Hobson holds a bachelor of business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretarial and corporate, management and accounting advice to a number of listed public companies involved in the resource, mining services and oil and gas industries.

Graeme Smith, BEc, MBA, MCommLaw, FCPA, FCIS, MAusIMM (appointed 5 November 2010, resigned 1 August 2012)

Directors' Report continued

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Vital Metals Ltd were:

	Ordinary Shares	Options over Ordinary Shares
David Macoboy	5,100,000	-
Mark Strizek	331,232	14,042,231
Andrew Simpson	1,209,000	-
Peter Cordin	750,000	-

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were mineral exploration in Australia and in Burkina Faso, West Africa.

There was no significant change in the nature of the Group's activities during the year.

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

The consolidated loss of the Group after providing for income tax amounted to \$1,350,539 (2012: \$1,648,151). The reduced operating loss was associated with a reduction in the Group's administration costs associated with a review of costs and the implementation of a number of cost-saving initiatives including staff accepting a twenty percent reduction in salaries.

The Watershed Tungsten Project in Queensland is the Group's main project. The Group has entered into a formal Earn-In Agreement with Japan Oil, Gas and Metals National Corporation (JOGMEC) where JOGMEC has earned 30% of the Project by spending \$5.4 million over a period of two years. The funds have been used to undertake a Definitive Feasibility Study (DFS) which is scheduled for completion this year.

The Group has continued to develop and evaluate the Doulunia Gold project in southern Burkina Faso, West Africa. The Group now has a 100% of the project following a deal with its joint venture partner in July 2013.

During the year the Group spent a total of approximately \$2.9 million in exploration and evaluation expenditure in Australia and West Africa. Contributions of \$2.0 million were received from JOGMEC on the Watershed Tungsten Project in Queensland.

In July 2012, the Company entered into a \$3 million convertible loan facility with Macquarie Bank Limited. After drawing down this loan facility, the company ended the year with a net increase or inflow in cash of \$974,165 (in the 2012 year there was a net outflow of cash of \$2,511,813).

This loan facility is repayable by 30 June 2014.

In the next year, the Group will seek to continue to progress the above projects.

A detailed review of operations is included in the Annual Report.

Operating Results for the Year

Summarised operating results are as follows:

	2013 Revenues \$	Results \$
Consolidated entity revenues and loss from ordinary activities before income tax expense	101,275	(1,350,539)
Shareholder Returns	2013	2012
Basic loss per share (cents)	(0.6)	(0.7)

Directors' Report continued

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board. The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stake-holders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE 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.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 18 July 2013 the Group entered into an agreement to acquire the 30% minority interest in two permits included in the Doulunia Gold Project from its joint venture partner, Ampella Mining, in exchange for a royalty. The Group now owns 100% of all four permits that comprise the Doulunia Gold Project.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

REMUNERATION REPORT (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

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.

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, particular experience of the individual concerned, and overall performance of the Group.

(i) 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.

(ii) Share based remuneration

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 share options are issued under the Vital Metals Ltd Share Option Plan and 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. The share options vest immediately on issue and there are no performance conditions because the Board considers the link between the exercise price and share price at time of issue to be a satisfactory driver.

Directors' Report continued

(iii) Service contracts/agreements

Mark Strizek was appointed on 1 July 2011 as Chief Executive Officer of the Group on a service contract. This contract was for an initial term of three months as CEO after which term Mr Strizek was invited to join the Board as Managing Director (effective 7 October 2011) for an unlimited term which is capable of termination on 6 months' notice. Upon termination Mr Strizek is entitled to payment of his notice period. By agreement, Mr Strizek's salary was reduced to \$240,000 effective 1 July 2013.

Ian Hobson is engaged on a hourly rate with no notice period or termination clauses.

(iv) 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. Effective from 1 January 2011 the Chairman will receive \$100,000 per annum plus statutory superannuation and non-executive directors will receive \$50,000 per annum plus statutory superannuation.

The remuneration policy for non-executive directors remains unchanged. The Company's non-executive directors agreed to a 20% reduction in compensation in October 2012.

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.

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

	2013 \$	2012 \$	2011 \$	2010 \$	2009 \$
Net loss	(1,350,539)	(1,648,151)	(1,572,525)	(2,292,975)	(17,388,835)
Dividends paid	-	-	-	-	-
Share price at year end (cents)	0.012	0.024	0.06	0.09	0.05
Loss per share (cents)	(0.6)	(0.7)	(0.8)	(1.5)	(15.0)

Use of remuneration consultants

The Group did not employ the services of any remuneration consultants during the financial year ended 30 June 2013.

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following table. The key management personnel of the Group are the directors and company secretary. 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*.

Key management personnel of the Group

	Short-Term Salary & Fees \$	Non Monetary \$	Post Employment Superannuation \$	Share-based Payments Options ⁽¹⁾ \$	Total \$	Value of Options as a Proportion of Remuneration %
Directors						
David Macoboy (Non-Executive)						
2013	85,000	-	7,650	-	92,650	-
2012	100,000	-	9,000	-	109,000	-
Mark Strizek (Managing Director)						
2013	280,000	-	25,200	100,000	405,200	24.7
2012	311,319	-	28,018	79,622	418,959	19.0
Andrew Simpson (Non-Executive)						
2013	46,325	-	0	-	46,325	-
2012	50,000	-	4,500	-	54,500	-
Peter Cordin (Non-Executive)						
2013	42,500	-	3,825	-	46,325	-
2012	50,000	-	4,500	-	54,500	-
Doug Stewart (Non-Executive)						
2013	42,500	-	3,825	-	46,325	-
2012	50,000	-	4,500	-	54,500	-

Directors' Report continued

Key management personnel of the Group

	Short-Term Salary & Fees \$	Non Monetary \$	Post Employment Superannuation \$	Share-based Payments Options ⁽¹⁾ \$	Total \$	Value of Options as a Proportion of Remuneration %
Other key management personnel						
Ian Hobson (Company Secretary, appointed Aug 2012)						
2013	60,890	-	-	-	60,890	-
Graeme Smith (Company Secretary, resigned Aug 2012) ⁽²⁾						
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
Total key management personnel compensation						
2013	557,225	-	40,500	100,000	697,725	
2012	561,319	-	50,518	79,622	691,459	

(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 portion of the fair value of the options recognised in this reporting period.

(2) Mr Smith was an employee of DW Corporate Pty Ltd. Fees charged by DW Corporate Pty Ltd for the provision of company secretarial, CFO and bookkeeping services to the Group during the year were \$8,796 (2012: 174,154).

No proportion of remuneration for any director or executive is performance related.

There were no options granted to key management personnel as compensation during the reporting period, other than those set out below.

Options granted as compensation

Options are issued at no cost to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to increase goal congruence between executives, directors and shareholders. The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

	Grant Date	Granted & Vested Number	Vesting Date	Expiry Date	Exercise Price (cents)	FairValue per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
Mark Strizek	21/08/2012	10,542,231	21/08/2012	31/08/2014	4.2	0.95	N/A	24.7

Exercise of options granted as compensation

During the reporting period, there were no shares issued on the exercise of options previously granted as compensation, nor were there any modifications to the terms of previously granted options.

Analysis of options granted as compensation

Details of vesting profiles of the options granted as remuneration to key management personnel of the Group are detailed below:

	Options granted		% vested in current year	% expired in current year	Financial years in which grant vest
	Number	Date			
Directors					
Mark Strizek	3,500,000	30 Sep 2011	-	-	30 June 2012
Mark Strizek	10,542,231	21 Aug 2012	100%	-	30 June 2013

Directors' Report continued

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the named executives are detailed below:

	Granted in year \$(A)	Value of Options Exercised in year \$(B)	Cancelled / Lapsed in year \$(C)
Directors			
Mark Strizek	100,000	-	-

- (A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black Scholes option valuation model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- (B) The value of options exercised in the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- (C) The value of the options that lapsed during the year represents the fair value of the options calculated at grant date using a binomial option valuation model.

Voting and comments made at the company's 2012 Annual General Meeting ('AGM')

At the 2012 AGM, 94% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

End of audited Remuneration Report

DIRECTORS' MEETINGS

During the year the Company held 12 meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings		Audit Committee Meetings	
	A	B	A	B
David Macoboy	12	12	1	1
Mark Strizek (appointed 7 October 2011)	12	12	*	*
Andrew Simpson	12	12	1	1
Peter Cordin	12	12	1	1
Doug Stewart (resigned 16 July 2013)	12	12	*	*

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

* – Not a member of the relevant committee.

SHARES UNDER OPTION

At the date of this report there are 83,587,171 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	5,200,000
Movements of share options during the year:	
Issued, exercisable at 4.91 cents, on or before 30 June 2014	61,142,000
Issued, exercisable at 4.2 cents, on or before 21 August 2014	10,542,231
Issued, exercisable at 4.3 cents, on or before 31 August 2014	1,021,482
Issued, exercisable at 3.7 cents, on or before 20 November 2014	7,202,940
Lapsed, exercisable at 4.3 cents, on or before 31 August 2014	(1,021,482)
Lapsed, exercisable at 8.0 cents, on or before 31 March 2014	(500,000)
Total number of options outstanding as at 30 June 2013	83,587,171
Total number of options outstanding as date of this report	83,587,171

Directors' Report continued

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
30 Sep 2011	30 Sep 2013	9	3,500,000
28 Feb 2012	28 Feb 2014	8	1,200,000
2 July 2012	30 Jun 2014	4.91	35,666,167
15 Nov 2012	30 Jun 2014	4.91	25,475,833
21 Aug 2012	31 Aug 2014	4.2	10,542,231
22 Aug 2012	20 Nov 2014	3.7	7,202,940
Total number of options outstanding at the date of this report			83,587,171

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.

INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into an agreement to indemnify all directors and the company secretary 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 and the Company Secretary. The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of premium.

NON-AUDIT SERVICES

No non-audit services were provided by BDO, the Company's auditor, during the financial year.

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 22.

Signed in accordance with a resolution of the directors.



David Macoboy
Chairman

Perth, 20 September 2013



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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

20 September 2013

The Board of Directors
Vital Metals Limited
64 Churchill Avenue
SUBIACO WA 6008

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF
VITAL METALS LIMITED**

As lead auditor of Vital Metals Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

CHRIS BURTON
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any shareholding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

Role of the Board

The Board's key roles are to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and to ensure the Company is properly managed.

The Board is collectively responsible for promoting the success of the Company by:

- a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- b) ensuring the Company is properly managed;
- c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- d) approving the annual budget;
- e) monitoring the financial performance of the Company;
- f) approving and monitoring financial and other reporting;
- g) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- h) appointing the external auditor (where applicable, based on the recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointments made by the Board must be ratified by shareholders at the next Annual General Meeting of the Company;
- i) liaising with the Company's external auditors and Audit Committee; and
- j) monitoring and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Group's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Group.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the Group's size and the resources it has available.

As the Group's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted the revised Recommendations and the following table sets out the Company's present position in relation to each of the revised Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the board are included in the Board Charter, a copy of which is available on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	A	The Board's policy is to perform annual verbal reviews of the effectiveness of the Board, its committees and individual directors. A performance review of the Managing Director is conducted by the Chairman. All directors have an opportunity to contribute to the review process. The performance criteria take into account each director's contribution to setting the direction, strategy and financial objectives of the Group, and monitoring compliance with regulatory requirements and ethical standards. The Board may undergo periodic formal assessment processes, including assessment of the Board's committees, where applicable. An independent third party consultant may be used to facilitate the assessment. An informal process of Board review is outlined in the Nomination Committee Charter.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A	Evaluations of the Board and executives did not occur during the year as set out above.
Principle 2:	Structure the board to add value		
2.1	A majority of the board should be independent directors	A	The board at the date of this report comprises four directors, three of whom are independent (David Macoboy, Andrew Simpson and Peter Cordin).
2.2	The chair should be an independent director	A	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	
2.4	The board should establish a nomination committee	A	The nomination committee is comprised of the full board. A copy of the nomination committee charter is available on the Company's website. The nomination committee has not met during the reporting period, however all matters that might properly be dealt with by the nomination committee are subject to regular scrutiny at full board meetings.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	A	The Board may undergo periodic formal assessment processes, including assessment of the Board's committees, where applicable. An independent third party consultant may be used to facilitate the assessment. An informal process of Board review which may be used by the Board requires each director to complete a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. Senior executives having most direct contact with the Board may also be invited to complete similar questionnaires. Responses to the questionnaires are confidential and provided direct to the Chair. The Board as a whole then hold a facilitated discussion during which each Board member has the opportunity to raise any matter, suggestion for improvement or criticism with the Board as a whole. The Chair of the Board may also meet individually with each Board member to discuss their performance. Non-executive directors may also meet to discuss the performance of the Chair or the Managing Director.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A	The skills and experience of Directors as well as their period of office are set out in the Company's Annual Report (Directors' Report) and on its website. Evaluations of the Board, committees and executives did not occur during the year as set out above. A statement as to the Company's materiality threshold can be found in the Board Charter on the Company's website.
Principle 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code	A	The Company has established a Code of Conduct which can be viewed on its website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them	N/A	The Company has adopted a diversity policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. However, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	N/A	The Company has adopted a diversity policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. However, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.

A = Adopted

N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	A	The proportion of women employees in the whole organisation at the date of this report is 16%. There are currently no women in senior executive positions. There are currently no women on the board.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
Principle 4:	Safeguard integrity in financial reporting		
4.1	The board should establish an audit committee	A	The Audit Committee Charter is available on the Company's website. The members of the Audit Committee during the year were Andrew Simpson (Chairman), Peter Cordin and David Macoboy. The Audit Committee will ensure the external auditor has in place arrangements for rotation of the audit engagement partner every five years.
4.2	The audit committee should: • consist only of non-executive directors • consist of a majority of independent directors • be chaired by an independent chair, who is not chair of the board • have at least three members	A A A A	
4.3	The audit committee should have a formal charter	A	A copy of the Audit Committee Charter is available on the company website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	The audit committee is to meet at least annually and otherwise as required. The audit committee has met during the reporting period.
Principle 5:	Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	The Company has established written procedures to ensure compliance with ASX Listing Rule disclosure and accountability of senior executives for compliance. The policy can be found on the Company's website.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly updates on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting.
Principle 6:	Respect the rights of shareholders		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company website and the distributions of specific releases covering major transactions and events or other price sensitive information.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which can be viewed on the Company website.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 7:	Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	A	The Board has established policies and practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing operational, financial reporting and compliance risks for the Group. The Company's Risk Management Policy can be viewed on the Company website.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	A	The board has formulated a Risk Management Policy which can be viewed on the Company website. The board recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at board meetings and a risk management culture is encouraged amongst employees and contractors.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	A	Assurance received.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	A	
Principle 8:	Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee	A	A Remuneration Committee has been formed with the Charter available on the Company's website. The Remuneration Committee is comprised of the full board. The remuneration committee has not met during the reporting period, however all matters that might properly be dealt with by the remuneration committee are subject to regular scrutiny at full board meetings.
8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors - is chaired by an independent chair - has at least three members.	A A A	There are three independent directors on the board.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	A	Refer to the Remuneration Report in the Company's Annual Report.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	A	The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

A = Adopted

N/A = Not adopted



Consolidated Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2013	Notes	Consolidated	
		2013 \$	2012 \$
REVENUE			
Sundry income		101,275	130,569
Total income		101,275	130,569
EXPENDITURE			
Administration expenses		1,163,863	1,850,094
Total expenses	5	1,163,863	1,850,094
RESULTS FROM OPERATING ACTIVITIES		(1,062,588)	(1,719,525)
Finance income		56,782	71,374
Finance expense		(344,733)	-
Net finance income	4	(287,951)	71,374
LOSS BEFORE INCOME TAX		(1,350,539)	(1,648,151)
INCOME TAX BENEFIT / (EXPENSE)		6	-
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF VITAL METALS LTD		(1,350,539)	(1,648,151)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		683,676	(305,380)
Other comprehensive income/(loss) for the year, net of tax		683,676	(305,380)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF VITAL METALS LTD		(666,863)	(1,953,531)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	27	(0.6)	(0.7)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

YEAR ENDED 30 JUNE 2013	Notes	2013 \$	Consolidated 2012 \$
CURRENT ASSETS			
Cash and cash equivalents	7	1,413,972	437,400
Trade and other receivables	8	1,339,595	436,027
TOTAL CURRENT ASSETS		2,753,567	873,427
NON-CURRENT ASSETS			
Trade and other receivables	9	-	257,909
Property, plant and equipment	10	186,842	281,886
Exploration and evaluation expenditure	11	10,679,481	9,708,625
TOTAL NON-CURRENT ASSETS		10,866,323	10,248,420
TOTAL ASSETS		13,619,890	11,121,847
CURRENT LIABILITIES			
Trade and other payables	12	290,067	329,859
Provisions	13	45,692	37,466
Borrowings	14	3,000,000	-
TOTAL CURRENT LIABILITIES		3,335,759	367,325
NON-CURRENT LIABILITIES			
Provisions	15	400,000	400,000
TOTAL NON-CURRENT LIABILITIES		400,000	400,000
TOTAL LIABILITIES		3,735,759	767,325
NET ASSETS		9,884,131	10,354,522
EQUITY			
Contributed Equity	16	37,398,401	37,401,913
Reserves	17	784,212	(99,448)
Retained earnings		(28,298,482)	(26,947,943)
TOTAL EQUITY		9,884,131	10,354,522

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2013						
Consolidated	Notes	Contributed Equity \$	Share-Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$
BALANCE AT 1 JULY 2011		36,772,740	143,000	(51,530)	(25,299,792)	11,564,418
Loss for the year		-	-	-	(1,648,151)	(1,648,151)
OTHER COMPREHENSIVE INCOME/(LOSS)						
Exchange differences on translation of foreign operations		-	-	(305,380)	-	(305,380)
TOTAL COMPREHENSIVE INCOME/(LOSS)						
FOR THE YEAR		-	-	(305,380)	(1,648,151)	(1,953,531)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	16	650,092	-	-	-	650,092
Share issue transaction costs	16	(20,919)	-	-	-	(20,919)
Options Issued during the year	17	-	114,462	-	-	114,462
BALANCE AT 30 JUNE 2012		37,401,913	257,462	(356,910)	(26,947,943)	10,354,522
Loss for the year		-	-	-	(1,350,539)	(1,350,539)
OTHER COMPREHENSIVE INCOME/(LOSS)						
Exchange differences on translation of foreign operations		-	-	683,676	-	683,676
TOTAL COMPREHENSIVE INCOME/(LOSS)						
FOR THE YEAR		-	-	683,676	(1,350,539)	(666,863)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Share issue transaction costs	16	(3,512)	-	-	-	(3,512)
Options issued during the year	17	-	199,984	-	-	199,984
BALANCE AT 30 JUNE 2013		37,398,401	457,446	326,766	(28,298,482)	9,884,131

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2013	Notes	Consolidated	
		2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(986,310)	(1,627,983)
Interest received		56,207	71,974
Other receipts		101,275	119,299
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	26	(828,828)	(1,436,710)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(6,059)	(119,845)
Proceeds on sale of financial assets at fair value through profit or loss		-	30,065
Deposits received/(paid)		-	(37,337)
Proceeds from earn-in partner		2,015,035	3,147,500
Payments for exploration expenditure		(2,929,126)	(4,724,659)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(920,150)	(1,704,276)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,000,000	-
Interest paid		(213,345)	-
Borrowing costs		(60,000)	-
Payment of capital raising costs		(3,512)	-
Net proceeds from issues of ordinary shares		-	629,173
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,723,143	629,173
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		974,165	(2,511,813)
Cash and cash equivalents at the beginning of the financial year		437,400	3,254,593
Effects of exchange rate changes on cash and cash equivalents		2,407	(305,380)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	1,413,972	437,400

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Ltd and its subsidiaries. The financial statements are presented in Australian dollars. Vital Metals Ltd is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 25 September 2013. The directors have the power to amend and reissue the financial statements.

(a) 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 Ltd 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 Ltd Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The consolidated entity 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. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income. The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term "Statement of Profit or Loss and Other Comprehensive Income" clarifying that there are two discrete sections, the profit or loss section and other comprehensive income section.

(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 2012.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

(b) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net operating loss after tax for the year ended 30 June 2013 of \$1,350,539 (2012: loss of \$1,648,151).

The Group experienced net cash inflows during the year of \$974,165 after receiving a \$3,000,000 convertible loan facility with Macquarie bank (2012: cash outflows \$2,511,813). The Group's cash position at 30 June 2013 was \$1,413,972.

Research and development tax incentive claims totalling \$610,123 have been received since 30 June 2013 with a further claim of \$607,399 expected to be received in the next month. The Directors have also undertaken a review of costs and embarked on a cost-saving regime that has included staff accepting a 20% reduction in salaries.

The \$3 million convertible loan facility is repayable by 30 June 2014. It is the Directors' view that the terms of this convertible loan facility will likely be re-negotiated and extended. An alternative would be for Macquarie Bank to exercise their 61.4 million share options at an exercise price of 4.91 cents and extinguish the debt.

The Directors are confident that the Group has sufficient working capital to pay their debts as and when they fall due. The Directors consider the going concern basis of preparation to be appropriate and are confident that the Group will be able to successfully raise additional funds in the future as and when required to meet its future financial obligations and/or reduce discretionary expenditure (principally exploration expenditure), farm out commitments or undertake asset sales as necessary.

However, should adequate funding not be available there is uncertainty as to whether the Group will continue as a going concern, and therefore may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vital Metals Ltd ("Company" or "parent entity") as at 30 June 2013 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 the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

(d) Segment reporting

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 two reportable segments being exploration activities undertaken in Australia and Burkina Faso. 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 and loss and cash flows and is measured in accordance with the Group's accounting policies.

(e) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is Vital Metals Ltd's functional and presentation currency.

(ii) 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.

(iii) 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 difference 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.

(f) Finance income

Finance income comprises interest income earned on funds invested in bank accounts and call deposits. Interest is recognised on an accruals basis in the income statement, using the effective interest method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(g) Income tax**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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 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 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.

Tax consolidation

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 Ltd.

The controlled entities have been fully compensated for all deferred tax assets and liabilities transferred to Vital Metals Ltd 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 Ltd for any current income tax payable or receivable by Vital Metals Ltd 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.

(h) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) 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.

(k) Financial assets*Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables and financial assets available-for-sale.

Financial assets available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available-for-sale financial assets comprise equity securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(l) Property, plant and equipment

All property, plant and equipment is stated at historical cost less 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 the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The rate of depreciation for buildings is 10% and for plant and equipment and office equipment the rates vary between 5% and 33.3% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

(m) Exploration and evaluation expenditure

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Company in connection

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- a) The rights to tenure of the area of interest are current; and
- b) At least one of the following conditions is also met:
 - i. The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
 - ii. Exploration and evaluation activities in the area of interest have not, at 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. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Government grants received in relation to exploration and evaluation expenditure are recorded as a deduction in the carrying value of the asset.

Exploration and evaluation expenditure is not depreciated as it is not yet ready for use.

Impairment testing of exploration and evaluation expenditure

Exploration and evaluation expenditure is assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation expenditure is tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each cash generating unit that is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy note 1(i).

(n) Employee benefits

(i) Annual leave

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) 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 28.

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 a Black Scholes 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.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Site Restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration is recognised in respect of the estimated cost of rehabilitation, decommissioning and restoration of the area disturbed during exploration activities up to reporting date, but not yet rehabilitated. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including re-contouring, topsoiling and revegetation of the disturbed area.

The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the income statement.

A corresponding asset is recognised in Property, Plant and Equipment only to the extent that it is probable that future economic benefits associated with the rehabilitation, decommissioning and restoration expenditure will flow to the entity.

Costs arising from unforeseen circumstances, such as contamination from discharge of a toxic material, are recognised as a provision with a corresponding expense recognised in the income statement when an obligation, which is probable and capable of reliable estimation, arises.

At each reporting date the site restoration provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and are added to, or deducted from, the related asset where it is probable that future economic benefits will flow to the entity.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another

party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

(q) Contributed equity

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 the acquisition as part of the purchase consideration.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) 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.

(s) Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the respective taxation authorities, are presented as operating cash flows.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reference	Title	Nature of Change	Application date of standard	Impact on Group financial statements	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the Group's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The 'Entity' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	The Group is currently assessing the impact of the amendments. The Group may need to reclassify its joint arrangements which may lead to changes in current accounting for these interests.	1 July 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and nonfinancial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, some or all of annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date	1 July 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the <i>Corporation Act 2001</i>	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Group will show reduced disclosures under the Key Management Personnel note to the financial statements	1 July 2013
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 <i>Inventories</i> if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The Group does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32) e.g: AASB 116 clarifies that items such as spare parts, stand-by or service equipment are required to be classified as property, plant and equipment and not inventory	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no material impact.	1 July 2013
AASB 2012-9 (issued December 2012)	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	Deletes Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills</i> In Australia from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the <i>Corporations Act 2001</i> or other general purpose financial statements.	Annual reporting periods beginning on or after 1 January 2013	There will be no impact on first-time adoption of this amendment as the Group does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012.	1 January 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(u) Critical accounting estimates and judgements**

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Estimates and assumptions*Exploration and evaluation assets*

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group's accounting policy (refer Note 1(m)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved.

Critical to this assessment are estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 1(m), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 1(m). The carrying amounts of exploration and evaluation assets are set out in Note 11.

Site Restoration liability

Determining the cost of rehabilitation, decommissioning and restoration of the area disturbed during exploration activities in accordance with the Group's accounting policy, requires the use of significant estimates and assumptions, including: the timing of the cash flows and expected life of the relevant area of interest, the application of relevant environmental legislation, and the future expected costs of rehabilitation, decommissioning and restoration.

Changes in the estimates and assumptions used to determine the cost of rehabilitation, decommissioning and restoration could have a material impact on the carrying value of the site restoration provision. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time. The carrying amount of the provision for site restoration is set out in Note 15.

Share-based payment transactions

The fair value of employee share options is measured using a binomial option valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. 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) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest 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 CFA Franc in relation to its activities in Burkina Faso. The group maintains minimal working capital in Burkina Faso and only transfers cash funds as required, as such the Statement of Financial Position exposure at any point in time is not significant. Foreign exchange risk will also arise from future 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.

	Weighted Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate \$	Non-Interest Bearing \$	Total \$
2013					
<i>Financial Assets</i>					
Cash and cash equivalents	3.23	1,413,972	-	-	1,413,972
Trade and other receivables		-	-	17,143	17,143
		1,413,972	-	17,143	1,431,115
<i>Financial Liabilities</i>					
Trade and other payables		-	-	290,067	290,067
Borrowings	7.86	3,000,000	-	-	3,000,000
		3,000,000	-	290,067	3,290,067
Net financial liabilities		(1,586,028)	-	(272,924)	(1,858,952)
2012					
<i>Financial Assets</i>					
Cash and cash equivalents	4.25	437,400	-	-	437,400
Trade and other receivables		-	-	693,936	693,936
		437,400	-	693,936	1,131,336
<i>Financial Liabilities</i>					
Trade and other payables		-	-	329,859	329,859
Net financial assets		437,400	-	364,077	801,477

Sensitivity analysis for variable rate instruments

At 30 June 2013, 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 \$4,500 higher/lower (2012: +/- 25 basis points, \$4,198 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) 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.

The Group's exposure to credit risk is low and limited to cash and cash equivalents and other receivables. The majority of cash and cash equivalents (\$1,406,906 at 30 June 2013; \$389,727 at 30 June 2012) are held with financial institutions that have a AA-credit rating (Standard & Poor's). The majority of the receivables relate to amounts owing by project partners.

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

2. FINANCIAL RISK MANAGEMENT (cont'd)**(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 borrowings (being a convertible loan facility) and 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.

The convertible loan facility is repayable by 30 June 2014. It is the Directors' view that the terms of this convertible loan facility will likely be re-negotiated and extended. An alternative would be for the financier to exercise their 61.4 million share options at an exercise price of 4.91 cents and extinguish the debt.

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

	Carrying Amount \$	Contractual Cash Flow \$	6 Months or Less \$	6 – 12 Months \$	1 – 2 Years \$
2013					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	290,067	290,067	290,067	-	-
Borrowings	3,000,000	3,235,800	-	3,235,800	-
	<u>3,290,067</u>	<u>3,525,867</u>	<u>290,067</u>	<u>3,235,800</u>	<u>-</u>
2012					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	329,859	329,859	329,859	-	-

(d) Accounting classification of Fair Values

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.

Financial liabilities

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.

3. SEGMENT INFORMATION

The consolidated entity has two reportable segments being mineral exploration and prospecting for minerals in Australia and Burkina Faso. Further segment reporting information is provided in Note 1(d).

	Australia		Burkina Faso		Consolidated Total	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
Segment income	101,275	130,569	-	-	101,275	130,569
Reconciliation of segment income to total revenue before tax:						
Interest revenue					56,782	71,374
Total revenue					158,057	201,943
Segment loss	-	-	-	-	-	-
Reconciliation of segment loss to net loss before tax:						
Depreciation					(8,379)	(10,098)
Other corporate and administration					(1,342,160)	(1,638,053)
Net loss before tax					(1,350,539)	(1,648,151)
Segment operating assets	6,687,200	6,335,657	5,438,502	3,974,736	12,125,702	10,310,393
Reconciliation of segment operating assets to total assets:						
Cash and cash equivalents (head office)					1,396,998	379,281
Receivables (head office)					80,304	408,597
Property, plant & equipment (head office)					16,886	23,576
Total assets					13,619,890	11,121,847
Segment operating liabilities	630,479	539,389	-	36,500	630,479	575,889
Reconciliation of segment operating liabilities to total liabilities:						
Payables and provisions (head office)					105,280	191,436
Borrowings (head office)					3,000,000	-
Total liabilities					3,735,759	767,325

4. NET FINANCIAL INCOME

	Consolidated	
	2013	2012
	\$	\$
Interest income	56,782	71,374
Interest expense	224,427	-
Facility & establishment fees	120,306	-
	344,733	-
Net finance income	(287,951)	71,374

	Consolidated 2013 \$	2012 \$
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5. EXPENSES

The following significant expense items not separately highlighted in the Statement of Profit or Loss and Other Comprehensive Income are relevant in explaining the financial performance:

Loss on sale or impairment of non current assets	-	42,071
Operating lease expense	76,042	-
Share-based payments (refer also note 28)	199,984	139,462
Depreciation of non-current assets in administration expenses		
Buildings	19,595	22,631
Plant and equipment	55,657	102,302
Furniture and equipment	35,566	4,841
Less transfer to capitalised exploration and evaluation expenditure	(102,439)	(119,676)
Total depreciation	8,379	10,098
Personnel expenses		
Wages and salaries	793,814	808,109
Contributions to defined contribution superannuation funds	67,430	63,144
Other associated personnel expenses	22,842	52,324
Equity settled share based payment transactions	150,000	139,462
Less transfer to capitalised exploration and evaluation expenditure	(721,676)	(681,218)
Total personnel expenses	312,410	381,821

6. INCOME TAX

(a) The major components of income tax are:

Statement of Profit or Loss and Other Comprehensive Income*Current income tax*

Current income tax benefit	40,852	376,294
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Deferred income tax

Relating to origination and reversal of temporary differences	269,254	73,573
Unused tax losses not recognised as DTA	(310,106)	(449,867)

Income tax benefit reported in the Statement of Profit or Loss and Other Comprehensive Income

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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	(1,350,539)	(1,648,151)
Prima facie tax benefit at the Australian tax rate of 30% (2012: 30%)	(405,162)	(494,445)

Add tax effect of:

Non-deductible items	60,868	44,586
Tax losses not brought to account	310,106	449,859
R&D expenditure used for tax offset	404,934	-

Less tax effect of:

Accrued income – R&D	(369,692)	-
Equity raising cost	(1,054)	-

Income tax benefit	-	-
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(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	16,594	21,311
Exploration expenses	671,171	854,649
Set-off against tax assets	(687,765)	(875,960)

	-	-
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	2013 \$	Consolidated 2012 \$
6. INCOME TAX (cont'd)		
<i>Deferred tax assets</i>		
Tax value of losses carried forward	8,501,194	8,852,675
Set-off of deferred tax liability	(687,765)	(875,960)
Accrued expenses	66,183	22,997
Provisions	133,708	131,200
Other prepayments/capital expenditure	88,507	61,096
Non-recognition of deferred tax assets	(8,101,827)	(8,192,008)
	-	-

(c) Tax losses

At 30 June 2013, the Consolidated Entity has \$28,337,314 (2012: \$29,508,916) of taxable losses that are available indefinitely for offset against future taxable profits of the consolidated entity. Subsequent to year end, the Consolidated Entity lodged an amendment to the 2012 tax return in order to claim a Research & Development offset. The amount of losses carried forward as had been reported in 2012 of \$29,508,916 has subsequently been reduced by \$1,307,775. 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 that future taxable profits will be available against which the company can utilise the benefit.

Unrecognised deferred tax assets

Tax losses – revenue	8,501,194	8,852,675
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(d) Tax consolidation legislation

Vital Metals Ltd and its controlled entities implemented the tax consolidations legislation as of 4 October 2005. The Australian Tax Office was notified of this decision on lodgement of the 2006 income tax return.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and on hand	643,992	228,713
Short-term deposits	769,980	208,687
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	1,413,972	437,400

Refer to note 2 for the Group's exposure to interest rate risk and credit risk.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Other receivables	1,249,450	345,435
Security deposits	82,662	82,662
Prepayments	7,483	7,930
	1,339,595	436,027

At reporting date there were no receivables past due. Refer to note 2 for the Group's exposure to credit risk.

9. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Other receivables	-	257,909
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At reporting date there were no receivables past due. Refer to note 2 for the Group's exposure to credit risk.

	Freehold Buildings \$	Plant & Equipment \$	Furniture & Equipment \$	Total \$
10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT				
At 1 July 2011				
Cost	243,849	616,443	36,351	896,643
Accumulated depreciation	(110,103)	(405,492)	(13,036)	(528,631)
Net book amount	133,746	210,951	23,315	368,012
Year ended 30 June 2012				
Opening net book amount	133,746	210,951	23,315	368,012
Exchange differences	-	(4,784)	(610)	(5,394)
Additions	-	85,757	4,623	90,380
Transfers	-	(43,006)	43,006	-
Impairment	(41,338)	-	-	(41,338)
Depreciation charge	(22,631)	(102,302)	(4,841)	(129,774)
Closing net book amount	69,777	146,616	65,493	281,886
At 30 June 2012				
Cost	195,953	568,241	167,085	931,279
Accumulated depreciation	(126,176)	(421,625)	(101,592)	(649,393)
Net book amount	69,777	146,616	65,493	281,886
Year ended 30 June 2013				
Opening net book amount	69,777	146,616	65,493	281,886
Exchange differences	-	4,200	5,515	9,715
Additions	-	4,371	1,688	6,059
Transfers	-	-	-	-
Depreciation charge	(19,595)	(55,657)	(35,566)	(110,818)
Closing net book amount	50,182	99,530	37,130	186,842
At 30 June 2013				
Cost	195,953	580,908	183,068	959,929
Accumulated depreciation	(145,771)	(481,378)	(145,938)	(773,087)
Net book amount	50,182	99,530	37,130	186,842

11. NON-CURRENT ASSETS – EXPLORATION & EVALUATION EXPENDITURE

	Consolidated	
	2013	2012
	\$	\$
Exploration and evaluation expenditure		
Costs carried forward in respect of areas of interest in the exploration and evaluation phases:		
Opening net book amount	9,708,625	8,574,374
Transfer of VAT paid	257,909	-
Exploration expenditure	3,960,289	4,516,159
Initial earn-in partner contribution	-	(800,000)
Earn-in partner contributions	(2,015,035)	(2,581,908)
R&D tax incentive claim	(1,232,307)	-
Closing net book amount	10,679,481	9,708,625
<i>The closing balances relate to the following areas of interest:</i>		
Watershed Tungsten Project, Queensland	5,323,669	6,152,984
Doulunia Gold Project, Burkina Faso	5,355,812	3,555,641
	10,679,481	9,708,625

11. NON-CURRENT ASSETS – EXPLORATION & EVALUATION EXPENDITURE (cont'd)

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

The Group undertakes at least on an annual basis a comprehensive review for indicators of impairment of these assets. There is significant estimation in determining the inputs and assumptions used in determining the recoverable amounts. The key areas requiring estimation and assumptions may include: recent drill results and reserves and resource estimates; fundamentals and economic factors such as commodity prices; exchange rates and current and anticipated operating costs in the industry; and the Group's market capitalisation compared to its net assets and independent valuations that may be available.

Watershed Tungsten Project

The Group has entered into an Earn-In Agreement over the Company's Watershed Tungsten Project in Queensland, with Japan Oil, Gas and Metals National Corporation (JOGMEC).

Under the terms of the Agreement, JOGMEC has earned 30% of the Watershed Project by spending \$5.4 million over a period of two years. The funds have been used to undertake a Definitive Feasibility Study (DFS) which is scheduled for completion in 2013.

Watershed is a highly prospective tungsten project with a JORC code compliant Indicated Resource 2004. At this stage of the projects development a rehabilitation provision of \$400,000 has been provided to allow for the disturbance to the environment to date.

Doulunia Gold Project

The Doulunia Gold Project Group is located in southern Burkina Faso, West Africa. On 18 July 2013 the Group entered into an agreement to acquire the 30% minority interest in two permits included in the Doulunia Gold Project from its joint venture partner, Ampella Mining, in exchange for a royalty. The Group now owns 100% of all four permits that comprise the Doulunia Gold Project.

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2013	2012
	\$	\$
Trade creditors and accruals	290,067	329,859

13. CURRENT LIABILITIES – PROVISIONS

Employee benefits

Annual leave	45,692	37,466
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Carrying value is considered to approximate fair value. Refer to note 2 for the Group's interest rate and liquidity risk.

14. CURRENT LIABILITIES – BORROWINGS

Bank facility	3,000,000	-
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The Group entered into a \$3 million debt facility with Macquarie Bank Limited during the period. In accordance with the facility agreement Macquarie was issued with 61,142,000 options with an exercise price of 4.91 cents and expiring on 30 June 2014, which if exercised will extinguish the debt. Macquarie has the option to exercise all or part of the options during the term of the facility. The loan facility is repayable by 30 June 2014 with an interest rate of 5% over the bank bill swap rate.

The facility is secured by a general security over all of the assets of Vital Metals Limited and its subsidiary, North Queensland Tungsten Pty Ltd. Total assets pledged as security as at 30 June 2013: \$8,181,385. Interest paid in relation to this facility is disclosed in note 4.

Carrying value is considered to approximate fair value. Refer to note 2 for the Group's interest rate and liquidity risk.

15. NON-CURRENT LIABILITIES – PROVISIONS

Site Restoration Provision

Opening balance	400,000	400,000
Additional provision charged to profit or loss	-	-
Closing balance	400,000	400,000

16. CONTRIBUTED EQUITY

(a) Share capital	Notes	2013		2012	
		Number of shares	\$	Number of shares	\$
Ordinary shares fully paid	16(b), 16(d)	241,319,529	37,398,401	241,319,529	37,401,913
Total contributed equity		241,319,529	37,398,401	241,319,529	37,401,913
(b) Movements in ordinary share capital					
Beginning of the financial year		241,319,529	37,401,913	228,401,027	36,772,740
Issued during the year:					
- Entitlements issue @ 5 cents per share		-	-	12,501,835	625,092
- Share based payment issue @ 6 cents per share		-	-	416,667	25,000
Less: Transaction costs		-	(3,512)	-	(20,919)
End of the financial year		241,319,529	37,398,401	241,319,529	37,401,913

(c) Movements in options on issue

	Number of options	
	2013	2012
Beginning of the financial year	5,200,000	2,000,000
Issued during the year:		
- Exercisable at 4.91 cents on or before 30 Jun 2014	61,142,000	-
- Exercisable at 4.2 cents on or before 31 Aug 2014	10,542,231	-
- Exercisable at 4.3 cents on or before 31 Aug 2014	1,021,482	-
- Exercisable at 3.7 cents on or before 31 Nov 2014	7,202,940	-
- Exercisable at 8 cents on or before 31 Mar 2014	-	500,000
- Exercisable at 8 cents, on or before 28 Feb 2014	-	1,200,000
- Exercisable at 9 cents, on or before 30 Sep 2013	-	3,500,000
Expired/cancelled during the year:		
- Exercisable at 4.3 cents and expiring 31 Aug 2014	(1,021,482)	-
- Exercisable at 8 cents and expiring 31 Mar 2014	(500,000)	-
- Exercisable at 20 cents and expiring 17 Nov 2011	-	(2,000,000)
End of the financial year	83,587,171	5,200,000

(d) 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.

(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 gearing ratio (net debt/total capital). Current gearing ratios are considered acceptable. The gearing ratio at 30 June 2013 is shown below (there is no gearing ratio at 30 June 2012 as the Group had no borrowings at that time):

16. CONTRIBUTED EQUITY (cont'd)	2013 \$	Consolidated 2012 \$
Total borrowings	3,000,000	-
Less: cash and cash equivalents (Note 7)	(1,413,972)	-
Net debt	1,586,028	-
Total equity	9,884,131	-
Total capital	11,470,159	-
Gearing ratio	13.8%	-

17. RESERVES**(i) Share based payment reserve**

The share-based payments reserve is used to recognise the fair value of options issued.

(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 in note 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

18. DIVIDENDS

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

19. KEY MANAGEMENT PERSONNEL DISCLOSURES	2013 \$	Consolidated 2012 \$
(a) Key management personnel compensation		
Short-term benefits	557,215	561,319
Post employment benefits	40,500	50,518
Share-based payments	100,000	79,622
	697,715	691,459

(b) Equity instrument disclosures relating to key management personnel*(i) Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 5 to 8.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Vital Metals Ltd and other key management personnel of the Group, including their personally related parties, are set out below:

2013	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Vital Metals Ltd							
David Macoboy	-	-	-	-	-	-	-
Mark Strizek	3,500,000	10,542,231	-	-	14,042,231	14,042,231	-
Andrew Simpson	-	-	-	-	-	-	-
Peter Cordin	-	-	-	-	-	-	-
Doug Stewart	-	-	-	-	-	-	-
Other key management personnel of the Group							
Ian Hobson	-	-	-	-	-	-	-
Graeme Smith	-	-	-	-	-	-	-

All vested options are exercisable at the end of the year.

19. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2012	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Vital Metals Ltd							
David Macoboy	-	-	-	-	-	-	-
Mark Strizek	-	3,500,000	-	-	3,500,000	3,500,000	-
Andrew Simpson	-	-	-	-	-	-	-
Peter Cordin	-	-	-	-	-	-	-
Doug Stewart	-	-	-	-	-	-	-
Other key management personnel of the Group							
Graeme Smith	-	-	-	-	-	-	-
All vested options are exercisable at the end of the year.							

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Vital Metals Ltd and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2013	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year(1)	Balance at end of the year(2)
Directors of Vital Metals Ltd				
Ordinary shares				
David Macoboy	4,000,000	-	1,100,000	5,100,000
Mark Strizek (appointed 7 October 2011)	251,232	-	80,000	331,232
Andrew Simpson	1,209,000	-	-	1,209,000
Peter Cordin	750,000	-	-	750,000
Doug Stewart	-	-	-	-
Other key management personnel of the Group				
Ordinary shares				
Ian Hobson	-	-	-	-
Graeme Smith	150,000	-	(150,000)	-

2012				
Directors of Vital Metals Ltd				
Ordinary shares				
David Macoboy	2,000,000	-	2,000,000	4,000,000
Mark Strizek (appointed 7 October 2011)	128,985 ⁽³⁾	-	122,247	251,232
Andrew Simpson	1,209,000	-	-	1,209,000
Peter Cordin	750,000	-	-	750,000
Doug Stewart (appointed 30 May 2011)	-	-	-	-
Other key management personnel of the Group				
Ordinary shares				
Graeme Smith	150,000	-	-	150,000

19. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

Notes:

- (1) Other changes represent net on-market movements during the year or individual ceasing to be included as key management personnel.
- (2) At year end there are no nominally held shares.
- (3) Opening balance adjusted to reflect shares held at appointment date.

(c) Loans to key management personnel

There were no loans to key management personnel during the year (2012: nil).

(d) Other transactions with key management personnel

There were no transactions with key management personnel during the year other than salaries and wages as disclosed in the remuneration report.

20. REMUNERATION OF AUDITORS

	Consolidated	
	2013	2012
	\$	\$
Remuneration of the auditor of the parent entity for:		
Audit and review of financial reports	35,500	56,000

No non-audit services were performed during 2013 or 2012.

21. COMMITMENTS**(a) Exploration commitments**

The Group has certain minimum obligations in pursuance of the terms and conditions of tenement licences in the forthcoming year. Whilst these obligations are capable of being varied from time to time, in order to maintain current rights of tenure to mining tenements, the Group will be required to outlay amounts of approximately \$602,000 (2012: \$670,800). These obligations are expected to be fulfilled in the normal course of operations.

	Consolidated	
	2013	2012
	\$	\$
(b) Lease commitments: Group as lessee		
<i>Operating leases (non-cancellable):</i>		
Minimum lease payments		
- within one year	75,972	76,062
- later than one year but not later than five years	54,751	120,692
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	130,723	196,754

22. RELATED PARTY TRANSACTIONS**(a) Parent entity**

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 19.

(d) Loans to related parties

Vital Metals Ltd has provided unsecured, interest free loans to each of its wholly owned subsidiaries totalling \$23,513,310 at 30 June 2013 (2012: \$22,407,394). An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss. The Company has recognised cumulative impairment losses of \$15,600,297 at 30 June 2013 (2012: \$15,947,722).

23. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name	Country of Incorporation	Class of Shares	Equity Holding ⁽¹⁾	
			2013 %	2012 %
North Queensland Tungsten Pty Ltd	Australia	Ordinary	100	100
Vital Metals Burkina Sarl	Burkina Faso	Ordinary	100	100
Vital Gold Pty Ltd	Australia	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

24. CONTINGENCIES

Performance bonds totalling \$24,500 (2012: \$24,500) have been granted in favour of the Department of Natural Resources and Mines.

25. EVENTS OCCURRING AFTER THE REPORTING DATE

On 18 July 2013 the Group entered into an agreement to acquire the 30% minority interest in two permits included in the Doulia Gold Project from its joint venture partner, Ampella Mining, in exchange for a royalty. The Group now owns 100% of the Doulia Project in Burkina Faso. Ampella Mining has the right to clawback its 30 per cent stake in the two permits if the Project's total JORC resource exceeds one million ounces within two years. As consideration, Ampella Mining would have to pay an amount equal to the Group's discovery costs and a further lump sum in cash equal to 500% of these costs. The financial impact of this transaction has not been reflected in these financial statements.

26. STATEMENT OF CASH FLOWS

	Consolidated	
	2013	2012
	\$	\$
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	(1,350,539)	(1,648,151)
Non-Cash Items		
Depreciation of non-current assets	8,379	10,098
Loss on disposal of asset	-	42,071
Share based payments	199,984	114,462
Other Adjustments		
Borrowing costs included as a cash flow from financing activities	60,000	-
Interest paid included as a cash flow from financing activities	213,345	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease/(increase) in trade and other receivables	99,222	(60,824)
(Decrease)/increase in trade and other payables	(67,445)	68,168
Increase in provisions	8,226	37,466
Net cash outflow from operating activities	(828,828)	(1,436,710)

27. LOSS PER SHARE**(a) Reconciliation of earnings used in calculating loss per share**

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	(1,350,539)	(1,648,151)
	Number of shares	Number of shares

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	241,319,529	231,310,105
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(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2013, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

28. SHARE-BASED PAYMENTS**(a) Employee Share Option Plan**

The Vital Metals Ltd Share Option Plan was approved in April 2005.

The issue to each individual Employee, Key Employee or Director is controlled by virtue of the provisions of both the Share Plan and the Australian Stock Exchange Limited Listing Rules. Under the Share Scheme the number of shares an eligible person will be entitled to receive each year will be determined by the Board of Directors in their sole discretion.

Employees, key employees and directors are entitled to take up ordinary shares at a cost determined by the Board with regard to the market value of the shares when the Board resolves to offer the Option.

28. SHARE-BASED PAYMENTS (cont'd)

The terms and conditions relating to the grants of the share option plan are as follows, with all options to be settled by physical delivery of shares:

Grant Date	Expiry Date	Exercise Price	Number Outstanding at Year End	
			2013	2012
30 September 2011	30 September 2013	\$0.09	3,500,000	3,500,000
28 February 2012	28 February 2014	\$0.08	1,200,000	1,200,000
31 March 2012	31 March 2014	\$0.08	-	500,000
21 August 2012 31	August 2014	\$0.042	10,542,231	-
22 August 2012	20 November 2014	\$0.037	7,202,940	-
			22,445,171	5,200,000

Set out below are summaries of the options granted:

	Consolidated			
	2013		2012	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	5,200,000	8.7	2,000,000	20.0
Granted	18,766,653	4.0	5,200,000	8.7
Forfeited/cancelled	(1,521,482)	5.5	-	-
Exercised	-	-	-	-
Expired	-	-	(2,000,000)	20.0
Outstanding at year-end	22,445,171	5.0	5,200,000	8.7
Exercisable at year-end	22,445,171	5.0	5,200,000	8.7

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.1 years (2012: 1.45 years), and the exercise price ranges from 3.7 to 9 cents.

There were no share options exercised in 2013 or 2012.

The weighted average fair value of options granted during 2013 was 0.8 cents (2012: 2.2 cents).

The price was calculated by using a binomial option pricing model applying the following inputs.

	2013	2012
Weighted average exercise price (cents)	4.0	8.7
Weighted average life of the option (years)	2.0	2.0
Weighted average underlying share price (cents)	2.5	6.35
Expected share price volatility	70%	77%
Weighted average risk free interest rate	2.96%	3.55%

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.

28. SHARE-BASED PAYMENTS (cont'd)**(b) Expenses arising from share-based payment transactions**

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

	Consolidated	
	2013 \$	2012 \$
Options issued to employees	150,000	114,462
Shares issued to employee	-	25,000
Options issued to Macquarie Bank in lieu of facility fee	49,984	-
	199,984	139,462

The price was calculated by using a binomial option pricing model applying the following inputs.

	2013 \$	2012 \$
Weighted average exercise price (cents)	4.91	-
Weighted average life of the option (years)	1.6	-
Weighted average underlying share price (cents)	2.6	-
Expected share price volatility	70%	-
Weighted average risk free interest rate	2.96%	-

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.

29. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Vital Metals Ltd, at 30 June 2013. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2013 \$	2012 \$
Current assets	1,476,862	787,318
Non-current assets	11,200,385	9,755,154
Total assets	12,677,247	10,542,472
Current liabilities	3,128,729	187,950
Total liabilities	3,128,729	187,950
Contributed equity	37,398,401	37,401,914
Reserves	457,446	257,462
Accumulated losses	(28,307,329)	(27,304,854)
Total equity	9,548,518	10,354,522
Loss for the year	(1,002,475)	(2,046,360)
Total comprehensive loss for the year	(1,002,475)	(2,046,360)

The parent entity did not have any guarantees, contingent liabilities, or any contractual commitments for the acquisition of property, plant and equipment, as at 30 June 2013 or 30 June 2012.

Directors' Declaration

In the directors' opinion:

- (a) 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 16 to 44 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) the remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2013, comply with Section 300A of the *Corporations Act 2001*; and
- (d) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in note 1(a) to the financial statements.

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.



David Macoboy
Chairman

Perth, 20 September 2013



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VITAL METALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Vital Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Vital Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.





Opinion

In our opinion:

- (a) the financial report of Vital Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity will use various strategies including capital raising, reduction of discretionary expenditure, farm out commitments or undertake asset sales as necessary to continue as a going concern. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Vital Metals Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, Western Australia
Dated this 20th day of September 2013

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 September 2013.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	89	41,064
1,001 - 5,000	242	716,890
5,001 - 10,000	221	1,809,127
10,001 - 100,000	700	27,506,602
100,001 and over	283	211,245,846
	1535	241,319,529
The number of shareholders holding less than a marketable parcel of shares are:	684	4,261,785

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

	Listed ordinary shares	
	Number of shares	Percentage of ordinary shares
1 Citicorp Nom Pty Ltd	21,900,305	9.08
2 Harbour, Rex	17,500,000	7.25
3 Consolidated Minerals Ltd	14,275,377	5.91
4 HSBC Custody Nominees Australia Ltd	11,746,223	4.87
5 BNP Paribas Nominees Pty Ltd <DRP>	10,916,883	4.52
6 Nereena Pty Ltd	10,250,000	4.25
7 MacDonald, Stanley Allen	8,500,000	3.52
8 JP Morgan Nominees Australia Ltd <Cash Income A/C>	7,406,817	3.07
9 Jeumont Pty Ltd <DMM S/F A/C>	5,100,000	2.11
10 Riley, Graham D + AM <Riley S/F A/C>	4,000,000	1.66
11 Colin & Imelda Bourke S/F <C&I Bourke S/F A/C>	3,125,000	1.29
12 Corlette, David	2,055,708	0.85
13 National Nom Ltd	1,977,083	0.82
14 Valentine, Trent Anthony	1,955,747	0.81
15 Novasc Pty Ltd <Bellis Aust S/F A/C>	1,727,645	0.72
16 Zoobaba Pty Ltd	1,550,000	0.64
17 Evans, Alan Rodney + Dawn	1,500,000	0.62
18 K J Hayes Corp Pty Ltd <Hayes No 1 S/F A/C>	1,498,412	0.62
19 Struven Nom Pty Ltd	1,482,700	0.61
20 Gu Yixen	1,400,000	0.58
	129,212,153	53.53

ASX Additional Information continued

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Citicorp Nom Pty Ltd	21,900,305
Harbour, Rex	17,500,000
Consolidated Minerals Ltd	14,275,377

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in tenements

Location	Tenement	Percentage held / earning
Burkina Faso	Doulnia	100%
Burkina Faso	Kampala	100%
Burkina Faso	Mediga	100%
Burkina Faso	Zeko	100%
Watershed	EPM 19809	70%
Watershed	EPM 14735	70%
Watershed	EPM 15064	70%
Watershed	EPM 15544	70%
Watershed	EPM 18171	70%
Watershed	EPM 25102	100%
Watershed	EPM 25139	70%
Watershed	MDL 127	70%
Watershed	ML 20535	70%
Watershed	ML 20536	70%
Watershed	ML 20537	70%
Watershed	ML 20538	70%
Watershed	ML 20566	70%
Watershed	ML 20567	70%
Watershed	ML 20576	70%