

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

VITAL METALS LTD

ABN

32 112032596

Quarter ended ("current quarter")

31 DECEMBER 2005

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(288)	(368)
(b) development		
(c) production		
(d) administration	(333)	(377)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	53	53
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(568)	(692)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	(20)	(20)
(b)equity investments		
(c) other fixed assets	(279)	(283)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material) Bonds	(60)	(60)
Net investing cash flows	(359)	(363)
1.13 Total operating and investing cash flows (carried forward)	(927)	(1055)

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1.13	Total operating and investing cash flows (brought forward)	(927)	(1055)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	7379	7224
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	7379	7224
Net increase (decrease) in cash held			
		6452	6169
1.20	Cash at beginning of quarter/year to date	88	371
1.21	Exchange rate adjustments to item 1.20		
		6540	6540
1.22	Cash at end of quarter		

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	170
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

The completion of an IPO pursuant to a prospectus dated 10 August 2005 occurred in the quarter raising a gross amount of \$8.0 million. Commencement of exploration activities and construction of a 20 man camp at watershed together with the setting up of the company office were the main focus for the company following the completion of its capital raising.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

At the time of completing the capital raising the company acquired two subsidiaries and exercised options to commence joint ventures the consideration for which was the issuing of a total of 18 million shares to the vendors at a fair value of \$3.6 million.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

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	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	N/A	
3.2 Credit standby arrangements	N/A	

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	
Total	500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	32	88
5.2 Deposits at call	6508	
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	6540	88

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed			
6.2 Interests in mining tenements acquired or increased	All options over tenements were exercised prior to listing of the company on 11 October 2005	No change since listing	

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	70,050,003	43,050,003		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	58,000,000			
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2,830,000 options over fully paid shares 1:1		<i>Exercise price</i> 20 cents	<i>Expiry date</i> 30 June 2008
	2,000,000 options over fully paid shares 1:1		20 cents	30 June 2008
7.8 Issued during quarter	2,000,000		20 cents	30 June 2008
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			

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7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Oscar Aamodt..... Date: 24 January 2006
(Company secretary)

Print name: Oscar Aamodt.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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