Vital Metals Ltd

ASX / MEDIA RELEASE **18 JULY 2008**

WATERSHED TUNGSTEN PROJECT - NEW RESOURCE ESTIMATES AND FEASIBILITY STUDY

- **New Resource Estimate provides sound basis for future conversion to reserves.**
- **Pit optimisation, mine scheduling and pit design work, based on new block model underway to evaluate open pit mining scenarios.**
- **New MIK resource estimate of 15.2 million tonnes at 0.29% WO_3, at a cut-off grade of 0.15% WO_3, for a contained 44,100 tonnes of WO_3.**
- **Resource estimate is 9.9 million tonnes at 0.35 % WO_3, at a higher cut-off grade of 0.20% WO_3, for a contained 34,700 tonnes of WO_3.**

Vital Metals Ltd (ASX Code: VML) has received the results of a new resource estimate for its flagship Watershed tungsten project in far North Queensland. The Company will now incorporate the new resource estimate in developing the mine schedule and design for the final feasibility study.

Consultants, Hellman & Schofield Pty Ltd (H&S) used Multiple Indicator Kriging (MIK) with a block support correction to produce a new mine recoverable resource estimate.

The new resource estimate (Table 1) is classified as Measured, Indicated and Inferred at various cut-off grades, as outlined in the attached report from H&S.

At a cut-off grade of 0.15% tungsten oxide (WO_3), the new estimate is 15.2 million tonnes at 0.29% WO_3 for 44,100 tonnes of contained WO_3. This includes 9.5 million tonnes (63 per cent of the total) at 0.28% WO_3, for 26,600 tonnes of contained WO_3, in the Measured and Indicated categories.

At a higher cut-off grade of 0.20% WO_3 the total resource is 9.9 million tonnes at 0.35% WO_3 for 34,700 tonnes of contained WO_3. This includes 6.0 million tonnes (61 per cent of the total) at 0.34% WO_3, for 20,400 tonnes of contained WO_3, in the Measured and Indicated categories.

Vital Metals' consultant mining engineers will now use the MIK block model for open pit optimisation, mine scheduling and mine design to evaluate various open cut mining options for incorporation into the final feasibility study.

Hellman & Schofield consider MIK to be the appropriate geostatistical estimation method for the Watershed deposit. MIK is a non-linear estimation technique and incorporates the observation that continuity of grade diminishes as grade increases. It is an appropriate technique to use where the estimate of average grade above a commercial cut-off grade typically relies upon less than twenty per cent of the available sample data and is dramatically affected by the highest one or two per cent of sample grades as is the case at Watershed.

The MIK method with block support correction estimates the proportion and grade of mineralised material for a number of specified cut-off grades within a large panel. An assumed Selective Mining Unit (SMU) size of 2m by 2m by 2.5m was used in determining

the recoverable proportions. The grades predicted using this methodology have been found by H&S, in numerous projects, to be realistic predictors of those achieved during actual mining operations and do not require additional allowances for dilution assuming efficient mining practices are employed.

The database supplied to H&S for the MIK resource estimate was identical to that used for the OK resource estimate, previously announced on 26 May 2008.

Table 1: Watershed Deposit Resource Estimate
(Hellman & Schofield July 2008, MIK resource estimate)

%WO_3 cutoff	Category	Mtonnes	Grade WO_3%	Contained WO_3 (tonnes)
0.05	Measured	4.7	0.17	
	Indicated	24.3	0.15	
	Measured + Indicated	29.0	0.15	43,500
	Inferred	15.9	0.16	
	Total	**44.9**	**0.16**	**71,800**
0.10	Measured	2.8	0.23	
	Indicated	12.9	0.21	
	Measured + Indicated	15.7	0.21	33,000
	Inferred	9.0	0.23	
	Total	**24.7**	**0.22**	**54,300**
0.15	Measured	1.8	0.29	
	Indicated	7.7	0.28	
	Measured + Indicated	9.5	0.28	26,600
	Inferred	5.7	0.30	
	Total	**15.2**	**0.29**	**44,100**
0.20	Measured	1.2	0.35	
	Indicated	4.8	0.34	
	Measured + Indicated	6.0	0.34	20,400
	Inferred	3.9	0.36	
	Total	**9.9**	**0.35**	**34,700**

- ENDS -

For further details, refer to the company's website, www.vitalmetals.com.au or contact:

Mr Andy Haslam Managing Director	Mr John Sobolewski Company Secretary	Media: Anna O'Gorman Principal Consultant Three Plus 07 3503 5700

Vital Metals Ltd
Level 1, 335 Hay Street, Subiaco WA 6008
PO Box 8243, Subiaco East WA 6008
Telephone: +61 8 9388 7742
Fax: +61 8 9388 0804
Email: vital@vitalmetals.com.au
Website: www.vitalmetals.com.au

H &S Hellman & Schofield Pty Ltd

Technical specialists to the minerals industry
ABN 14 083 082 722

mineral resource and ore reserve studies
geostatistical software
technical audits and reviews
MP© grade control systems

geostatistical applications and research
JORC compliance assessment
geological databases and modelling
geochemical exploration

17th July 2008

Mr. Bruce Pertzel
Vital Metals Ltd

Watershed Tungsten Resource - July 2008

The Watershed resource estimate has been completed by Dr. William Yeo, MAusIMM, who is an employee of Hellman & Schofield Pty Ltd and who qualifies as a Competent Person under the meaning of the 2004 JORC Code. He consents to the inclusion of these estimates, and the attached notes, in the form and context in which they appear.

A detailed description of relevant reporting and estimation criteria has been included. This uses Table 1 of the 2004 JORC Code as a template.

Resource estimates of WO3%, have been produced for the Watershed Deposit, and are:

Watershed Tungsten (WO3%) Resource Estimates

Cut-off	Class	**Mtonnes**	**WO3 %**
0.05%WO3	Measured	4.7	0.17
	Indicated	24.3	0.15
	Inferred	15.9	0.16
	Total	**44.9**	**0.16**

Cut-off	Class	**Mtonnes**	**WO3 %**
0.10%WO3	Measured	2.8	0.23
	Indicated	12.9	0.21
	Inferred	9.0	0.23
	Total	**24.7**	**0.22**

Cut-off	Class	**Mtonnes**	**WO3 %**
0.15%WO3	Measured	1.8	0.29
	Indicated	7.7	0.28
	Inferred	5.7	0.30
	Total	**15.2**	**0.29**

SYDNEY
6/3 Trelawney St., Eastwood, NSW, 2122
P.O. Box 599, Beecroft, NSW, 2119
Ph: (02) 9858 3863 Fax: (02) 9858 4057
Email: hellscho@hellscho.com.au

BRISBANE
Level 4, 46 Edward St., Brisbane, QLD, 4000
P.O. Box 16116, City East, Qld., 4002
Ph: (07) 3012 9393 Fax: (07) 3012 9373
Email: brisbane@hellscho.com.au

PERTH
102 Colin St., W.Perth, WA, 6005
P.O. Box 125, W.Perth, WA, 6872
Ph: (08) 9485 0403 Fax: (08) 9485 0406
Email: perth@hellscho.com.au

www.hellscho.com.au

Cut-off	Class	**Mtonnes**	**WO3 %**
0.20%WO3	Measured	1.2	0.35
	Indicated	4.8	0.34
	Inferred	3.9	0.36
	Total	**9.9**	**0.35**

Hellman & Schofield have not independently assessed the accuracy and reliability of the assay data. Previous work completed on the Watershed deposit has evaluated issues such as the quality of sampling and assaying, adequacy of density determinations, drill sample recoveries, accuracy of surveying, etc. Consequently H&S has accepted in good faith the drill-hole and assay database provided by Vital Metals. Vital Metals Ltd therefore takes responsibility for the accuracy and correctness of the data used in the context of this resource estimate as well as the appropriateness of the quoted cut-off grades.

William J A Yeo, MAusIMM PhD
Consulting Geologist, Hellman & Schofield Pty Ltd

WATERSHED CHECKLIST OF ASSESSMENT AND REPORTING CRITERIA

Preamble
These notes are based on Table 1 of the 2004 JORC Code. Table 1 is a Guideline and the details are not required to be included in Mineral Resource statements unless there are material issues relating to inadequacies or uncertainties in any of the items or criteria. These notes are included, however, to provide details of the resource estimation process.

JORC Table 1

Criteria	Explanation
	Sampling Techniques and Data
Sampling techniques	Assay data used in the current resource estimate is derived exclusively from diamond core. Drilling was completed by: Utah 42 holes for 11,498m Geopeko 11 holes for 826m Vital 146 holes for 28,588m Vital (WMT series) 13 holes for 1,280m
Drill sample recovery	Core recovery data shows a mean value of ~97%. There is no observed relationship between low core recovery and WO3 grade.
Sub-sampling techniques and sample preparation	Vital has well documented and comprehensive sampling and sample preparation protocols. Diamond core was cut and ½ core taken for assay. The 5kg assay sample was crushed to -2mm before splitting and a 1.25kg sub-samples was pulverised to <106um.
Quality of assay data and laboratory tests Verification of sampling and assaying	Tungsten (W) assays were obtained using XRF and ICP methods. A number of laboratories have been used at various stages. The recent analytical work for Vital (2006-2008) has been carried out by ALS-Chemex. XRF was used for barren and low grade samples and ICP was used for mineralised samples. Any XRF samples reporting >634ppm W (0.08%WO3) were re-assayed by ICP. Vital has implemented a comprehensive QAQC protocol incorporating the use of independent certified reference materials and blanks, duplicates and the use of an umpire laboratory. Vital uses matrix matched reference materials specifically made for the Watershed project. No QAQC data exists for the pre-Vital drilling. However Vital was able to re-sample a number of existing drill holes. A full evaluation of the QAQC data (*Coffey Mining, ioGlobal*) concluded that appropriate levels of precision and accuracy had been achieved.

Location of data points	All drill hole collars have been surveyed by a licensed surveyor. Down hole surveys were carried out for all holes.
Data spacing and distribution	Drill hole spacing is nominally 50m x50m. Approximately 80% of holes have been drilled to the north on 50m north south section lines and 20% of holes have been drilled on 50m east-west section lines. With the exception of the RC drill holes (not used in the resource estimate) the drill hole data is not unduly clustered.

Criteria	Explanation
Estimation and Reporting of Mineral Resources	
Database integrity	All drilling data is stored in a proprietary database and managed by *ioGlobal*.
Geological interpretation	The watershed deposit occurs in a sequence of strongly deformed arenites and argillites. Tungsten mineralisation occurs as scheelite hosted by calc-silicate and albite-muscovite altered host rocks, predominantly arenites. Two styles of mineralisation occur: • Quartz-scheelite vein swarms, typically oriented east-west. • Disseminated scheelite as broader zones within altered arenites, sub-cordant to the stratigraphy oriented approximately north-south. Both quartz vein swarms and disseminated scheelite are preferentially developed within arenite host rocks. Argillite units are either barren or only weakly mineralised. Complex wireframes defining quartz vein swarms and areas of disseminated scheelite mineralisation have been defined. However it is clear that these 'features' do not have strongly defined contacts and are by their nature gradational. It has been recognised that the tight constraints applied by the geological interpretation may be unrealistic. The current resource estimate uses only four broad domains. • Domain 1 - Arenite. Strongly mineralised. • Domain 2 - Internal argillite. Poorly mineralised. • Domain 3 - Hanging wall argillite. Poorly mineralised. • Domain 4 – Footwall argillite. Poorly mineralised.

Estimation and modelling techniques	Modelling method and parameters used: • Grade Estimation was completed using Multiple Indicator Kriging. • Data analysis shows that the mineralised arenite population (domain 1) has a high CV value. This indicates that high grade samples may unduly influence the estimation outcome if the same spatial continuity characteristics are assumed for these samples as for lower grade data.

	Arenite	Argillite
No. Data	17,084	3,076
mean	523.6	48.4
CV	4.115	12.075
Minimum	1.0	1.0
Q1	1.0	1.0
Median	1.001	1.0
Q3	30.0	1.0
Maximum	51850	24225
IQR	29	0

• Panel size 25m x 25m x 5m vertically.
• Data was composited into 2m equal length composites for estimation.
• Variogram models and conditional statistics were determined for 14 Indicator thresholds.
• Estimation was completed using a series of search ellipse becoming progressively smaller.

pass	East	North	Vertical
1	30	15	20
2	45	22.5	45
3	60	25	45
Rotation	-10		

• Block estimates were only allowed if minimum data and configuration requirements were met.

pass	Min. data	Octants
1	16	4
2	16	4
3	8	2

• Block Support correction was applied to determine recoverable proportions.
SMU = 2m x 2m x2.5m
Grade control pattern = 5m x 5m x2.5m

Grade estimates were validated by:
• Visually comparing the block grades with data composites.
• Comparing de-clustered composite mean to model mean grades.
Composite mean = 0.043 WO3% (all domains)
Model mean = 0.036 WO3% (all domains)

Composite mean = 0.047 WO3% (domain 1)
Model mean = 0.042 WO3% (domain 1)

Model mean (Measure & Indicated) = 0.043 WO3%.

Metallurgical factors or assumptions	Previously reported results from metallurgical testwork completed in 2008 using X-ray sorting indicated: • Approximately 55% of feed material could be rejected with a tail grade of 0.027 – 0.056%WO3 • A 49% reduction in material sent through for secondary processing • An overall scheelite recovery of approximately 93%.
Bulk density	A bulk density of 2.74 has been used for arenite (mineralised) and 2.77 for argillite (un-mineralised). Nominal bulk density values of 2.3 and 2.45 have been used for complete and partially oxidised arenite. Additional bulk density determinations need to be determined for oxidised material.
Classification	The resource has been classified into Measured Indicated and Inferred categories based on the estimation pass parameters. • Measured estimates = Pass 1 • Indicated estimates = Pass 2 • Inferred estimates = Pass 3