

## **Chairman's Address to Shareholders Annual General Meeting – 2009**

Ladies and gentlemen,

Welcome to this, the 5<sup>th</sup> Annual General Meeting of Vital Metals Ltd.

This last twelve months has been a most difficult period for the Company and a most frustrating one for shareholders.

Since listing in October 2005, Vital has spent almost \$20 million on exploration and development of the world-scale Watershed tungsten deposit in North Queensland; only to see the tungsten price fall away with the troubles of the Global Financial Crisis and Vital itself to run very low on funds at the worst of all times around the end of last year and the beginning of this year.

The situation at Watershed is that we have essentially completed all the work and studies required for the Feasibility Study but it has not been assembled into a final format.

The analysis shows that the Project, which has the real potential to become one of the world's most substantial tungsten producers, will require a significant increase in the price of primary tungsten concentrates or APT to justify the capital cost and to become a profitable venture in the long term.

In the original strategic plan, we targeted an operation with an output of 4000 tonnes per year of contained  $WO_3$  - the payable component - in concentrate form, which was a production level equating to about 6 percent of the world's primary requirement.

Due to the high capital cost of the Project, and as an interim measure, we elected to examine a smaller first-stage alternative with a lower capital cost. This would have produced almost 2000 tonnes per annum of contained  $WO_3$ . However, this option did not yield any more satisfactory return and we are currently reviewing a number of other options.

Watershed is about capital cost and about mining costs; which is why the tungsten price is the key.

Fortunately, the tungsten market appears to have stabilised and is beginning to improve. The projections are excellent and it is our belief that Watershed will soon have its time in the sun.

Vital's detailed Environmental Impact Study for the Watershed venture has been accepted by the Queensland Authorities and we are currently continuing an on-going monitoring program on a number of the factors involved (such as groundwater flows and the like) and answering queries from the EPA as required. The company will be in excellent shape to move rapidly towards commercialisation if and when the "GO" decision is made.

We are also continuing to work on upgrading of the very large, but low-grade Mt Mulgine tungsten/molybdenum deposit in WA. We feel that a large partner is needed for this Project and I would expect that this plan will be pursued in 2010.

There are a number of other aspiring tungsten producers in Australia and I suggest that all will find – in the eventual outcome – that the devil is all in the detail as regards any decision to commence operations.

As a first step to reviving the Company's fortunes I am pleased to introduce to you – at the end of this meeting – Vital's new Chief Executive Officer, Dr Howard Carr. We announced Howard's appointment on Wednesday of this week.

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Howard is a very well qualified and experienced geologist and it will be his task to carry Vital forward in its tungsten ventures from now on and also to develop and guide the Company's diversification from now on.

I am looking forward to his stewardship and to where it will take Vital Metals in 2010 and beyond.

On Thursday – yesterday – we also announced an exciting and significant diversification by Vital Metals into gold exploration of two most promising Permits in one of the most prospective regions for gold in the world today.

Vital has negotiated a Farmin Agreement on 2 exploration Permits, with a combined area of 463 square kilometres, in the south-eastern region of Burkina Faso in West Africa.

Vital may earn up to 70 percent equity in the Permits, which are known as Doulia and Campala, by sole funding the first \$3.5m of exploration work and may increase this to 80 percent by completing a pre-feasibility study. It is, however, only committed to a minimum evaluation program of \$250,000.

The current Permit Holder is Australian-listed Ampella Mining Limited which is experiencing somewhat spectacular success in exploring for gold at Batie West, also in Burkina Faso but located about 250 kilometres to the south-west.

The Doulia Permit in particular was considered prospective for zinc mineralisation but Ampella's own exploration has suggested significant gold potential with samples taken during trenching yielding gold values up to 7.8 grams per tonne over 10 metres widths.

Grab sampling during Vital's field inspection also gave promising gold results up to 6.0 and 6.7 grams per tonne.

It is our intention to try to complete the initial evaluation program of trenching, additional geochemistry and some drilling before the onset of next year's wet season in May/June and thus allow Vital to decide whether or not to proceed to the earning phase.

This is a unique opportunity to gain a foothold in the hottest gold area on the planet and we hope it will create substantial interest and value for shareholders – particularly under the management of our new CEO.

In closing, I would like to notify you all that it is my intention to step down from both the Chairmanship and the Board of this Company sometime in the near future. I am approaching a use-by date in this Company and, while it has been a privilege to serve as your Chairman these past 4 years, I am reducing my involvement in these matters, I trust I will leave on good terms with all and I wish everybody strong success for the future.

Thank you.  
Bill Ryan  
Chairman  
20 November 2009

*Note: "The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Bill Ryan, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Ryan is an employee of Vital Metals Ltd 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 Ryan consents to the inclusion in the report of the matters based on his information in the form and context in which it appears."*