

REPORT FOR THE QUARTER ENDED 30 MARCH 2010

Highlights

- **Appointment of David Macoboy as Chairman of the Board**
 - **Howard Carr joins the board as Managing Director**
 - **Vital issues 40 million new shares and raises \$2.4m**
 - **Completes positive evaluation of Doulnia Project**
 - **Forms subsidiary company in Burkina Faso to operate Doulnia Project**
 - **Completes Phase 1 soil sampling, rock chip and geological mapping programme at Doulnia**
 - **Completes planning for Phase 1 Drill Programme at Doulnia**
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Corporate

During the quarter Vital Metals Limited [Vital] announced the appointment of David Macoboy as Director and Chairman of Vital.

Vital also announced that CEO Dr Howard Carr joined the board as Managing Director and Manraj Khosa replaced Ian Hobson as Company Secretary.

Vital completed a \$2.4 m fund raising, by issuing 40 million new shares in two equal tranches, at 6c per share. The first tranche was completed on 21 January 2010, with the second tranche which required shareholder approval, being completed on 4 March 2010. Vital now has 173 million shares on issue.

Vital discharged the convertible note held by Aragon Resources Ltd out of the proceeds of the fund raising after shareholder approval was obtained for the fund raising on 4 March 2010 as announced.

Cash Balance

Vital had a cash balance of \$1,820,000 at 31 March 2010.

Operations

Doulnia

During the quarter Vital Metals established a wholly owned subsidiary company in Burkina Faso "Vital Metals Burkina SARL" (VMB) to facilitate the implementation of our exploration activities on the Doulnia Gold Project in Burkina Faso.

VMB has employed Richard Zongo as Country Manager, Africa, another national project geologist and national support staff. VMB has established a regional office and exploration camp in the village of Tiebele, adjacent to our Doulunia Project.

In February VMB completed a comprehensive review of all previous work completed on the Doulunia Project. The company is excited that the project contains all of the key geodynamic indicators associated with other Greenstone Belt gold provinces such as those of the Yilgarn, Australia and Abitibi, Canada. These include:

- Location on a major crustal shear zone. Doulunia is centrally located within the 1200km long Bole Greenstone Belt; the longest Birrimian Greenstone Belt in West Africa.
- Nearby late-stage basin conglomerates analogous to those of the Kalgoorlie and Kurnalpi districts of the Eastern Goldfields, WA.
- Presence of a mafic TTG-type granite adjacent to the Greenstone belt. The peak of mafic granite magmatism usually marks the onset of significant gold mineralisation in Archaean Greenstone Belts.
- The identification of compression, extension and oblique compression signatures elsewhere in the Bole Greenstone belt. This sequence of deformation events is considered critical for the development of Greenstone Belt gold mineralisation.
- The identification of a structural architecture likely to result in multiple dilation sites during oblique compression. Dilation sites allow for anomalous fluid flow and enhance the likelihood of high fluid-to-rock ratios – another key requisite for Greenstone Belt gold mineralisation.

Following this favourable review Vital implemented a strategy to fast-track exploration and evaluation of the Doulunia Project as detailed below:

Vital acquired ASTER satellite imagery covering the Doulunia Project area. A study of the processed imagery has identified zones of interpreted sericite and chlorite alteration, enveloping the major structures of the Project. Alteration is a strong indicator of high fluid flow which is intimately related to gold mineralisation as outlined above. On ground exploration activities have, and will be concentrated within areas of identified strong alteration.

VMB commenced on ground exploration activities at Doulunia, focussed on the Kollo Prospects area – the most-well explored portion of our tenements – early in the quarter. A soil sampling survey, on 50m across strike and 200m along strike centres covering some 20 square kilometres, was completed. Samples have been submitted for assay but results are not yet available. This survey is designed to confirm, better define and extend the Kollo gold-in-soil anomalies identified by previous explorers. Soil sampling of other prospective areas will continue up to the commencement of the wet season around June.

In parallel with the soil sampling a number of trenches, excavated by previous explorers, were re-sampled. In addition rock chips were collected from various sites: current-to-recently active artisanal workings, outcropping quartz veins and altered lithologies, within the Kollo area which was also geologically mapped in detail. The regional geological map is being cross-checked and continually updated. Rock chip samples returned values of up to 23.5g/t Au as reported to the ASX on 16

December, 2009. The Kollo area has been intensively rock chip sampled and the rest of the greenstone belt has been extensively rock chip sampled for PIMA alteration analyses by CSIRO in Australia set down for July 2010. This detailed alteration data will better define the alteration system identified by ASTER imagery and be used to guide on going exploration.

Vital also signed an agreement with Fugro-UTS to fly a high density aeromagnetic-radiometric survey over Doulunia in late April or early May 2010. The interpretation of this data will refine the definition of the exciting regional structural architecture outlined above. It will also form the basis for the generation of an integrated, multidisciplinary gold prospectivity map of Doulunia, and will strongly influence on going exploration.

Vital identified its intention to fast track exploration at Doulunia from November 2009 - if its initial review was favourable. Given the positive evaluation outlined above, Vital is committed to drilling the identified high priority targets as quickly as possible. Phase 1 Drilling was due to start in mid April 2010.

The Phase 1 Drilling Programme commenced and was completed in April as announced to the market on 14 April 2010 and 28 April 2010 respectively. Vital is now waiting for the assay results to return.

Vital's board and management are impressed with the performance and professionalism of VMB field staff under the guidance of Richard Zongo and ex-patriate Principal Geologist Bruce Pertzelt. It is a credit to all that our fledgling company, VMB, has been able to meet all planned milestones ahead of schedule.

The board, management and staff eagerly await the completion of the Phase 1 Drill, subsequent return of assay results and the implementation of the follow-up Phase 2 drilling programme in November, after the wet season.

Watershed

During the quarter Vital Metals Ltd completed a review of the Watershed draft Pre Feasibility Study. An internal document has been developed identifying possible pathways to enhance the economic viability of the deposit. Work continues on this document, in parallel with exploring prospective industry-stakeholder investment in the project.

Vital continues to work on technical and compliance issues related to progressing the Watershed Environmental Impact Study, including the monitoring of groundwater quality and flow rates.

The camp at Watershed remains on a care and maintenance basis.

The information in this report that relates to exploration results is based on information compiled by Dr Howard Carr, who is a Member of the Australasian Institute of Geoscientists. Dr Carr 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". Dr Carr consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

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