Vital Metals Ltd

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WATERSHED RESOURCE UPDATE

Vital Metals Ltd (ASX Code: VML) has received an interim report from specialist resource consultant, McDonald Speijers, following their completion of the first of three phases of work commissioned by Vital for the Watershed Tungsten Deposit in North Queensland.

McDonald Speijers has completed the construction of a resource model using their Recovered Fraction (RF) technique and completed a new resource estimate.

Within the area limited to the zone of regularly spaced drilling, with a maximum external projection distance of about 25 metres, McDonald Speijers has estimated that the Watershed Tungsten Deposit contains 15.1 million tonnes at an average grade of 0.46% WO_3 for a contained 69,300 tonnes of WO_3, at a cut-off grade of 0.10% WO_3.

At a cut-off grade of 0.15% WO_3, the estimate is 11.6 million tonnes at an average grade of 0.54% WO_3 for a contained 63,100 tonnes of WO_3.

These estimates are classified by McDonald Speijers as Indicated Resources and are undiluted, i.e. in situ and without any considerations of mining aspects taken into account. The directors warn that re-evaluation of the Watershed project is not based on resource numbers only and the completion of the remainder of the work will be required before any new economic predictions can be made.

The two remaining phases of work, pit optimisation and mining studies, which are not yet available, are scheduled for completion later in January 2009.

McDonald Speijers consider the constructed resource model is suitable for preliminary pit optimisation and mining studies but point out that some additional drilling will be required to more accurately locate mineralisation prior to the finalisation of reliable pit designs.

It is the opinion of McDonald Speijers that the RF technique yields a more realistic evaluation of the resource available at Watershed for potential exploitation than previous resource estimates that used conventional grade smoothing methods.

The RF technique used downhole intersections of mineralisation to estimate the proportion of ore above a particular cut-off grade occurring in individual cells. It takes account of:

- minimum widths
- Internal waste, and optionally
- Losses incurred during mining.

Details of the Resource Estimate, as provided by McDonald Speijers, are provided below:

Resource Model Definition

The resource model for Watershed was constructed with only two mineralisation domains representing arenite and argillite dominated lithologies. These domains were defined using wireframes supplied by VML that had been used in a previous resource model by another party. McDonald Speijers applied minor adjustments to the wireframes. The 'vein swarm' wireframes used to define mineralised zones in the previous resource model were not employed as McDonald Speijers considered them to be too prescriptive in nature and restrictive in terms of data availability for the RF technique.

In addition to the above mentioned domains McDonald Speijers constructed a limiting wireframe containing the zone of regularly spaced drilling with a maximum external projection distance of about 25m. All estimation was constrained to this volume.

Drill Data and Compositing

McDonald Speijers only used sample assays from core drilling data in their estimation work. The early core holes were drilled by Utah and Geopeko and were dominantly in an east-west orientation whereas holes drilled recently by VML are predominantly north-south.

Recovered fraction composites were created according to the parameters in Table 1.

Table 1 – Recovered Fraction Composite Parameters

Parameter	Values
Assay cutoffs	0.05, 0.10, 0.15, 0.20 % WO_3
Default assay	0.005% WO_3
Assay top cut - arenite	3.5% WO_3
Assay top cut - argillite	2.5% WO_3
Maximum internal waste	6.0m downhole
Grade carry across internal waste	Yes
Thinnest ore interval	6.0m downhole
RF composite length	6.0m downhole
Number of composite overlaps	2
Ore loss skin (for diluted estimates)	0.5m downhole
Dilution skin (for diluted estimates)	1.1m downhole

Block Model Interpolation

Interpolation of numeric properties employed the parameters in Table 2. A single search ellipsoid with a fixed orientation was used for the entire block model. This was based on the observed structure of the mineralised veins. The RF method does not rely on achieving any particular form of smoothing so all interpolation was by inverse distance squared.

Table 2 – Model Interpolation Parameters

Parameter	Values
Ellipsoid radii lengths (X, Y, Z)	75m, 50m, 125m
Axis rotations (About Z, X,Y) – clkws +ve	-10°, 15°, -15°
Octant restrictions	No
Minimum samples	5
Maximum samples per hole	3
Maximum samples	32
Volume factors	1.0, 1.5, 3.0
Inverse distance power	2

Bulk densities have been assigned to the block model according to the scheme employed in the previous resource estimation, that is on the basis of dominant lithology and oxidation state. The scope for significant error in the determination of bulk density would appear to be quite low.

Resource Estimates

The resource model is based on good quality data and, in the current model, has been constrained closely to the drilling. The overall attitude and density of mineralised veins and adjacent selvedge mineralisation varies but has been well studied as has the occurrence of the associated alteration zones. Although the extent and location of individual ore lenses is not always accurately known at this time the drilling is regular and provides a representative sampling of the mineralised volume. Due to the methodology employed it is considered that the drilling of additional holes within this volume, although perhaps desirable for mine design purposes, is unlikely to significantly affect the global estimates (given the same estimation parameters).

McDonald Speijers consider that the resource defined by the current model can be classified as in the Indicated category of the 2004 JORC Code.

Table 3 provides estimates of the resource at a range of assay cut-off values in undiluted form.

The current resource model defines mineralisation down to about 400mRL which is some 300m below the lowermost point of the local valley floor.

A pit optimisation study is required before the proportion of this resource amenable to future potential economic extraction can be evaluated.

Table 3 – Indicated Resource Estimates

Model Pass	Cutoff (% WO_3)	Ore (Mt)	Grade (% WO_3)	Metal (kt)	Proportion of Zone
Undiluted					
2	0.10	15.1	0.46	69.3	6%
3	0.15	11.6	0.54	63.1	5%

All resource estimation work has been carried out by Diederik Speijers who is a Fellow of the Australasian Institute of Mining and Metallurgy and who can be considered as a Competent Person as that term is defined by the 2004 JORC Code, for the style of mineralisation under consideration and for the work being undertaken.

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

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