



22 November 2007

Manager Announcements  
Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000

***By ASX Online***

Dear Sir/Madam

**Chairman's Address**

Please find attached the Chairman's Address to be presented by Mr William Ryan at the Annual General Meeting to be held at 10.00am on Thursday, 22 November 2007.

Yours faithfully

John Adam Sobolewski  
COMPANY SECRETARY

### **Chairman's Address – AGM 2007**

Fellow Shareholders,

It has been quite a year for Vital Metals, with a very high level of activity – dare I say frenetic – as the Watershed tungsten Project moves towards feasibility and to achieving its potential.

The Company successfully undertook two important fund raisings during the past twelve months to bring in almost \$18 million and I would like to thank all shareholders for their contribution in this regard – and also, of course, for your general support throughout the year.

The result of our drilling in 2006 and the first 3 weeks of 2007 was that our consultants calculated a global resource figure for the Watershed deposit of just under 22 million tonnes at a grade of 0.26% tungstate ( $WO_3$ ) in June of this year. This comprised a sequence of east-west striking quartz-vein swarms of relatively high grade within a matrix of disseminated, lower-grade scheelite mineralisation. Most of this resource is still classified as 'Inferred' under the JORC Code system and requires some close-spaced in-fill drilling to facilitate a re-classification.

Since then we have continued drilling; in-filling the entire known mineralised area on a 50 metre by 50 metre pattern, and have located significant, but as yet only sketchily drilled, extensions to both the north and south of the main area.

To date, and including the prior drilling by Utah, the Watershed deposit has been the subject of 203 drill holes totalling over 41 kilometres of drilling, to define one of the larger tungsten deposits in the world; a deposit which is still open in most directions.

Although we have had real problems in securing a suitable rig, we now believe that we should be able to complete – during this current drill season, and possibly by the end of 2007 – the testing of two or three intensely drilled-out areas (perhaps on a 10 metre by 10 metre grid), focusing on specific quartz-vein swarms to upgrade the certainty of the grade of these zones.

The objective of this critical exercise is to allow proper mine planning and to upgrade the JORC Classification of much of the resource to Indicated standard.

With the culmination of the current drilling work at the beginning of the 2008 wet season, anticipated to be in late January, we hope to have enough data to prepare an upgraded – and hopefully re-classified – resource figure by the end of March next year.

In like mould, our very extensive metallurgical development work on the Watershed mineralisation has demonstrated the success of our program of innovative ore sorting. All indications from trials to date are that the raw Watershed material can be upgraded, at low cost, by at least 100 percent by this technique, in which some fifty percent of all barren or very low-grade material can be rejected at coarse sizes.

Such an outcome has the potential to result in major savings in both capital and operating costs and to substantially reduce the loading and storage requirements for fine ground process tailings.

All of the work being conducted on the Project has been and is being carried out to a high standard of technical discipline to enable the preparation of a thorough and credible Feasibility Study for the development of an operation planned to produce some 4,000 tonnes of contained tungstate ( $WO_3$ ) per year – a large mine by the standards of the tungsten industry.

We are on track to complete this Study, with the possible exception of the formalities of the Environmental Impact Assessment, by June/July 2008. We further expect the formalities of the EIS to be assessed by late 2008 – perhaps November.

I will be pleased to elaborate on these details in a presentation after the formal part of this Meeting.

A crucial factor in the development of any tungsten mining operation at Watershed (or anywhere else) is to ensure a proper arrangement for the sale of the product.

Your directors have paid a great deal of attention to the securing of a long-term off-take contract for tungsten concentrates from the Watershed Project. We envisage the optimal format for such contractual negotiations will include some degree of vertical integration and thereby should encompass potential financing options for the project.

To this end, Vital Metals has been in discussions with third parties and hopes to complete negotiations early in the New Year. Shareholders will be fully informed as soon as such arrangements are finalised.

For a touch of variety, the Company will be conducting its first drilling program at the very large Mt Mulgine molybdenum and tungsten property in WA during December of this year. This program will ensure that Vital Metals will earn its agreed 70 percent equity in the area.

Last, but by no means least, I want to take this opportunity to sincerely thank my fellow directors and every one of our employees and sub-contractors who have supported our strenuous work program during the past 12 months. I am going to avoid all names but it has been rewarding pleasure to work with all of them, from our loyal staff in the Perth office to each and every one of the guys and gals at the Watershed site and those who do not fall into either of these categories.

As you are probably aware, I am stepping down as Vital's CEO at the end of this year and I am very pleased to hand over the operational reigns to our new Managing Director and CEO, Andy Haslam, who is here with us today.

Andy is a Mining Engineer with an enviable background in mine operational experience and we believe will be ideally suited to taking over the reigns of getting this Project – and perhaps others – into full working order. I am looking forward to his stewardship and I am more than confident we are in good hands.

After the formal business of the meeting, some of which is to approve Andy's remuneration package, I will introduce him and ask him to say a few words.

Now perhaps we should move on to the formal business of this Annual General Meeting.