

New Resource Estimate Expands Watershed Deposit

- **New estimate by Coffey Mining confirms 50 percent increase in resource tonnage at Watershed with a 16.5 percent increase in contained WO₃**
 - **Substantial tonnage at higher grade within the global resource has been defined and remains open**
 - **Figures show a global resource (Measured, Indicated and Inferred) of 32.75 million tonnes at 0.20% WO₃ for a total contained WO₃ content of 65,600 tonnes at a lower cut-off grade of 0.10% WO₃**
 - **Higher grade tonnages defined include 18.68 million tonnes at 0.26% WO₃ (48,300 tonnes contained) at a lower cut-off grade of 0.15% WO₃ and 11.51 million tonnes at 0.31% WO₃ at a lower cut-off grade of 0.20% (35,900 tonnes contained).**
 - **New resource will enable completion of mine design and optimisation**
 - **Feasibility Study will examine all grade-tonnage scenarios from bulk to selective mining**
 - **Drilling in the 2008 program commenced on 20 May**
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Overview

Vital Metals Ltd (ASX Code: VML) has received an updated resource estimate for the Watershed scheelite (tungsten) deposit in far North Queensland from Coffey Mining.

The new (2008) estimate has increased the global resource tonnage to 32.75 million tonnes at an average grade of 0.20 % WO₃, using a lower cut-off grade of 0.10% WO₃. The contained tungstate (WO₃) content has increased to 65,600 tonnes. Forty percent of these tonnes are in the Measured and Indicated Category.

Within this resource a tonnage of 18.68 million tonnes at 0.26% WO₃ for a contained 48,300 tonnes of tungstate (forty-two percent as Measured and Indicated) has been defined, using a 0.15% WO₃ lower cut-off grade. At a lower cut-off grade of 0.20% WO₃, the estimate is 11.51 million tonnes at 0.31% WO₃ for 35,900 tonnes of contained tungstate (forty-four percent Measured and Indicated). The continuity of mineralisation at this higher (0.20% WO₃) cut-off is lower, consequently that estimate has a lower reliability than the other estimates and will require some additional verification.

At a lower cut-off of 0.05% WO₃, the contained tungstate increases to 82,900 tonnes and an average grade of 0.15% WO₃.

The resource numbers are classified as a combination of Measured, Indicated and Inferred, as detailed in the attached report from Coffey Mining.

Managing Director, Mr Andy Haslam said: "This is a significant increase in resource size and will now enable us to proceed to full mine planning and optimisation studies, which task has been contracted to Design Support Pty Ltd."

The estimate employed the geostatistical technique known as ordinary kriging and used mineralised 'block' sizes of 20 metres by 20 metres by 5 metres (vertical). There was considered to be insufficient drill density to utilise smaller mineralised block sizes in this estimate which would have the potential to enhance the grade distribution.

Mr Haslam said that, while the new resource numbers included some shallow mineralisation in the recently discovered south-west extension area, it did not include any of the material in the far north extension.

The mineralisation remains open in all directions and at depth.

"The 2008 drilling program, which commenced last week, will initially concentrate on the (current) gap between the main resource and the south-west extension area to define further mineralisation at surface and at shallow depths to enhance the overall picture of the Watershed deposit," he said.

The company will use the data from this latest resource estimate to complete an initial pit design, optimisation work and ore scheduling for the Watershed mine modelling. The resource model will also be used to guide further drilling to identify mineralisation within the initial pit outlines at shallow depths.

"All grade-tonnage scenarios will be considered in the preparation of the Feasibility Study for this deposit," Mr Haslam said.

Vital Metals recently announced results from its extensive X-ray ore sorting test work on bulk samples taken from two adits at Watershed. Use of ore sorting technology as a primary, bulk pre-concentration stage, has consistently delivered a 55 percent reduction in tonnage to feed down-stream secondary processing, at scheelite recoveries in excess of 93 percent recovery. This has the potential to substantially reduce extraction costs, provide greater flexibility in mine design and enhance the global competitiveness of the Project.

These resource numbers confirm the Watershed deposit as a world-class tungsten resource and provide further encouragement for its future development as a large, long-term mining operation.

- ENDS -

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

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Managing Director

Mr John Sobolewski
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23 May 2008

Managing Director
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Attention: Mr Andy Haslam

Dear Sir

RE: Watershed Tungsten Project - Resource Estimate

The updated Mineral Resource for the Watershed Tungsten Project based on the recent drilling is complete. The Mineral Resource Statement as at 23 May, 2008, is tabulated below for the Watershed deposit in Table 1.

The information in the report which relates to the Mineral Resource is based on information compiled by Alex Virisheff, who is a Member of The Australasian Institute of Mining and Metallurgy. Alex Virisheff is employed by Coffey Mining Pty Ltd.

Alex Virisheff 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 Mineral Resources and Reserves". Alex Virisheff consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

For and on behalf of Coffey Mining Pty Ltd



Alex Virisheff

Principal Consultant - Resources

Table 1 Vital Metals Ltd Watershed Tungsten Deposit Mineral Resources Grade Tonnage Table - 23 May 2008 Inclusive of All Mineralisation Based on Ordinary Kriging Estimates			
Lower Cutoff WO3 Grade (%)	Tonnes (Mt)	Tungsten Oxide (WO3%)	Contained WO3 (t)
Measured Resource			
0.05	0.95	0.20	1,900
0.10	0.61	0.26	1,600
0.15	0.45	0.32	1,400
0.20	0.35	0.36	1,300
Indicated Resource			
0.05	22.89	0.14	33,200
0.10	12.75	0.20	25,800
0.15	7.46	0.26	19,300
0.20	4.76	0.31	14,600
Inferred Resource			
0.05	32.76	0.15	47,800
0.10	19.39	0.20	38,200
0.15	10.78	0.26	27,600
0.20	6.40	0.31	20,100
Combined Measured, Indicated and Inferred			
0.05	56.60	0.15	82,900
0.10	32.75	0.20	65,600
0.15	18.68	0.26	48,300
0.20	11.51	0.31	35,900

Note: the above results have been rounded, preferred in bold

- Drilling completed by Vital and others is predominantly on 50m by 50m grid orientated (local grid) north-south with the pre-Vital drilling completed on a notional 100m by 100m grid oriented (local grid) east-west. The local grid is 11.5 degrees from true north. Some 43 diamond (DD) drillholes have been completed by Utah Development Company, 12 DD drillholes have been completed by Peko Wallsend Operations and 128 DD and 72 reverse circulation (RC) drillholes have been completed by Vital intersecting the targeted tungsten mineralisation within three areas, northern, main and south western. A total of 58 of the RC drillholes are drilled on a nominal 10m by 10m grid in three different locations within the main area of deposit. This represents an increase of 151 drillholes. A further 13 DD drillholes have been drilled for metallurgical purposes. Relative density (specific gravity) measurements have been completed for all Vital samples.
- In all three areas have been tested by the completed drilling. The two southern areas are the focus of this resource calculation with a total of 175 DD and 65 RC drillholes being used for grade estimates. The usual sample length is 1m and is generally restricted to the region of visible mineralisation under ultraviolet lighting.
- North-south striking horizons of argillite and arenite have been interpreted and modelled. The sequence is part of an isoclinally folded sequence. East-west striking vein swarm domains cut across the entire sequence. A nominal 0.1% WO₃ (equating to the presence of the scheelite mineral) together with geological logging was used to define these vein swarms that carry the bulk of the mineralisation. Mineralisation within argillite horizons is either weak or non-existent.
- Statistical analyses on 3m composites were completed. Variography and search neighbourhood analysis were also conducted as input into grade estimation.
- Grade estimates were calculated for 20m (east-west) by 20m (north-south) by 5m (vertical) blocks. The method used to obtain grade estimates within the vein swarm, argillite and arenite domains was Ordinary Kriging.
- The relative bulk density (specific gravity) which is assumed to be equivalent to insitu dry bulk density has been derived for the various lithologies and oxidation state from the examination of 5531 direct diamond core measurements performed by Vital Metals. From this analysis, average densities of 2.46t/m³, 2.68t/m³ and 2.72t/m³ were assigned to unmineralised arenite, 2.46t/m³, 2.70t/m³ and 2.75t/m³ to mineralised arenite, 2.46t/m³, 2.73t/m³ and 2.77t/m³ to mineralised argillite and 2.46t/m³, 2.72t/m³ and 2.76t/m³ to unmineralised argillite.
- Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling, data density and location, grade estimation and quality.