

REPORT FOR THE QUARTER ENDED 31 MARCH 2009

Highlights

- **Vital Metals Ltd (Vital) launched a Share Purchase Plan (SPP) late in December 2008, which yielded \$410,000 by its closure date of 23 January 2009.**
- **The company called a trading halt on 11 March 2009 while it concluded discussions with potential equity participants. It went into temporary suspension on 16 March 2009.**
- **On 15 April 2009, the company announced it would make a placement of 17,450,000 shares at \$0.025 each to raise \$436,250 to Aragon Resources Limited. Aragon also agreed to take a Convertible Note for \$500,000, subject to shareholder approval.**
- **Mr Andy Haslam stepped down as Managing Director at the end of January to take up a senior executive position outside Vital. He remained on the Vital Board as a Non-Executive Director, but resigned in a Board re-structure on 24 April 2009. Mr Peter Knowles also resigned on 24 April 2009.**
- **Mr Paul Benson, Chief Executive Officer/Executive Director of Aragon Resources Limited was appointed to the Vital Board on 17 April 2009.**
- **As announced on 6 January 2009 a new resource model by consultant, McDonald Speijers, using their Recovered Fraction Modelling methodology, resulted in an Indicated Resource estimate of 15.1 million tonnes at an average grade of 0.46% WO₃ for a contained 69,300 tonnes of WO₃, at a cut-off grade of 0.10% WO₃.**
- **Mine design and scheduling were completed on an initial Stage 1 open pit extracting a total 3.7 million tonnes of mineralised material from the Indicated Resource at an estimated head grade of 0.42% WO₃ being processed over a 6.1 year mine life.**
- **Plant designed for a nominal 610,000 tonnes per annum to produce approximately 18,300 tonnes of high quality tungsten concentrate containing 1.188 million metric tonne units (mtus) of WO₃ during Stage 1.**
- **Determination of capital and operating costs are in train.**
- **The overall approach to the exploitation of the Watershed resource will be considered in conjunction with the involvement of Aragon Resources Limited and with other tungsten mineralisation in far North Queensland.**

Corporate

Financial

As at 31 March 2009, Vital Metals Ltd had on issue 116.4m shares and 4.6m unlisted options exercisable at various prices. Cash at bank as at 31 March 2009 was \$0.5 million.

The sum of \$436,250, being the proceeds of the placement of 17,450,000 shares to Aragon Resources Limited was received on 15 April 2009. Aragon has also agreed to subscribe to a convertible note for \$500,000 (subject to shareholder approval).

Directors

Following the Aragon placement, Messrs Andy Haslam and Peter Knowles stepped down from the Vital Metals Board and Mr Paul Benson was appointed as the Aragon representative.

Watershed Project

The initial results of the Feasibility Study for Vital's 100% owned Watershed Tungsten Project (Project) in Queensland together with the large body of work undertaken to date, indicates that the Project is one of the best undeveloped tungsten projects in the world. The tungsten price has held up very well despite the extreme volatility of the world financial markets and with a lack of new large supply sources being developed in the immediate term, this should continue to underpin strong tungsten prices.

The total Indicated Resource for the Project is 15.1 million tonnes grading 0.46% WO₃ and containing 6.9m mtu's WO₃ as defined by consultant McDonald Speijers. Please refer to the Company's 6 January 2009 ASX release for full details of the resource calculation. Initial Stage 1 mining studies based on this resource resulted in a preliminary pit design containing a diluted resource of 3.7 million tonnes grading 0.42% WO₃ with an average strip ratio of approximately 8.9:1. Mine design and review will be ongoing to ensure final results are optimised.

The Project is based on a 6.1 year open pit mine life with mineralised material being processed at a nominal 610,000 tonne per annum. The process flowsheet is simple and incurs no difficulties in achieving an acceptable metallurgical recovery of approximately 76% over the deposit, and will yield a clean, saleable concentrate containing approximately 65% WO₃. The current capital cost estimate is based on the use of both new and second-hand equipment and ongoing work will be undertaken to better refine the capital cost estimate, with regard the selection of specific second-hand equipment currently available in the market.

Stage 1 of the project is forecast to produce 18,300 tonnes of high quality tungsten concentrate containing 1,188,100 metric tonne units (mtus) of WO₃ over the mine life.

The current published price for ammonium paratungstate (APT), the upgrade form of primary tungsten is US\$210-230 per mtu, based on recent sales prices in North America. The forecast

APT prices are projected at US\$270-280/mtu in 2010/2011. It is generally considered that the price for tungsten concentrate will be of the order of 85% of the APT prevailing price at the time of sale and to this end Vital, has undertaken its financial evaluation based on a conservative concentrate selling price of US\$207/mtu for Year 1 and a constant US\$215/mtu for the remainder of Stage 1.

Note: "The information in this report that relates to exploration results is based on information compiled by Mr Bruce Arthur Pertzelt, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Pertzelt 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 Pertzelt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information that relates to Resource Estimates is based on information compiled by Mr Diederik Speijers. Mr Speijers is the principal of independent Mining and Resource Consultants, McDonald Speijers, 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

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

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