

Report for Quarter Ended 31 March 2007

Highlights

- Infill drilling at the Watershed scheelite (tungsten) deposit achieved 60 new holes for 15,398 metres of core by end January and paused for wet season.
- All analytical results received.
- Data compilation completed in preparation for new resource estimation due in second quarter 2007.
- Significant depth extension of previous mineralisation defined at high grade in south-west sector of the Watershed deposit.
- Draft Terms of Reference for the Watershed Environmental Impact Study published during quarter.
- Drilling planned for tungsten and molybdenum targets at Mt Mulgine (WA) in coming quarter.

Corporate

At 31 March 2007 the company had approximately \$3.0 million in cash.

The Company has 80,850,003 ordinary shares on issue (including 5.95 million escrowed for 2 years from the date of listing) and 6,505,000 options on issue (including 4.5 million escrowed for 2 years from the date of listing).

Watershed – North Queensland (100%)

Resource Studies

Infill diamond drilling at Watershed was temporarily halted at the end of January for the tropical wet season, the target of 60 new holes on a 50 by 50 metre grid having been achieved. A total of 15,398 metres of new core drilling has been completed since mid-July 2005 over approximately 70 percent of the total area of the Watershed deposit as outlined by Utah Development in their 1978-1985 drilling campaigns.

The mineralisation has been shown to extend further at depth and, in particular, further to the south-west of the previous limits. A project-best intercept of 20 metres at 1.27% WO₃ was encountered in Hole MWD119 between 302 and 322 metres down-hole with mineralisation in this area open to the west and south. The possibility of an early transition to high-grade underground mining, in conjunction with simultaneous open pit extraction, will be examined in the mining study scheduled for commencement in the coming (June) quarter.

All analytical results from the 60 completed holes have now been received and consultants RSG Global are being fully briefed in preparation for a revised estimate of tonnes and grade of this deposit, which is scheduled for completion in the June quarter.

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The analytical results for all drill holes received since the December report are given in Tables 1 and 2.

Metallurgy

During the quarter, metallurgical work has moved forward with new test programs on ore sorting (X-ray and ultraviolet), gravity separation and the first scheelite flotation trials being undertaken.

The progressive results of this work will be reported as milestone data is received in final form.

Environmental

The draft Terms of Reference (ToR) for the comprehensive Environmental Impact Study for the proposed Watershed mining and processing operation have been agreed with the Queensland EPA and have been published on their website and on the Vital website. These ToR are open for public comment until 17 May.

Future Work

Diamond and probably RC drilling is scheduled to resume in the second half of May to achieve a number of purposes:

- Check drilling of the new resource in areas which may be required by RSG for JORC Code "Classification" purposes
- Infill drilling of parts of the Utah resource which have not yet been investigated
- Test drilling of potential extensions to the mineralisation to the north, south-east and south-west
- Sterilisation drilling in areas currently planned for significant infrastructure locations (waste dump(s), treatment plant, workshop and accommodation camp facilities)

Metallurgical work is anticipated to accelerate substantially during the coming months.

When the Terms of Reference are finalised, a large program of environmental assessment work will continue and it is probable that the final clearance of the EIS will be the ultimate critical path whose timing will dictate the possible commencement of construction and operation.

Mt Mulgine – Western Australia (Earning 70%)

For the past year the work at the large Mt Mulgine tungsten/molybdenum project, situated some 500 km north of Perth, has comprised a major compilation of the extensive information gleaned from previous work (including over 300 drill holes from previous explorers) along with quite extensive airborne geophysical surveys, into a uniform and usable database.

The results of this work have defined several new target areas for tungsten and/or molybdenum mineralisation which are quite separate from the known Hill and Trench deposits.

A program of 16 RC drill holes will test a number of these new targets once an expensive and elaborate series of approvals are obtained from two conflicting Native Title Applicants and from the EPA's botanical division. Hopefully this will enable the modest drill program to proceed in the June quarter.

Mt Alexander – Western Australia (100%)

An aerial geophysical survey (magnetics and radiometrics) of the Mt Alexander tenements is scheduled to take place in May/June 2007.

Table 1 - Drill Hole Location Details

Hole No.	Easting	Northing	Azimuth (Magnetic)	Declination (degrees)	Total Depth (m)
MWD112	74051	92319	342	-60	158.6
MWD113	73810	92390	342	-60	210.0
MWD114	74009	92094	342	-60	276.5
MWD115	73956	92271	342	-60	323.9
MWD116	73740	92600	342	-60	147.1
MWD117	74055	92100	342	-60	233.8
MWD118	73755	92554	342	-60	240.2
MWD119	73640	92150	342	-60	378.3
MWD120	74067	92218	342	-60	176.6
MWD121	73950	92170	342	-60	329.7
MWD122	73635	92100	342	-60	351.0
MWD123	73857	92213	342	-60	338.6
MWD124	73692	92313	342	-60	300.0
MWD125	73688	92256	342	-60	357.1
MWD126	73900	92250	342	-60	279.0
MWD127	74001	92233	342	-60	294.0
MWD128	73950	92441	342	-60	236.6
MWD129	73954	92555	342	-60	230.9
MWD130	73898	92207	342	-60	289.2
MWD131	72953	92354	342	-60	305.9
MWD132	73892	92160	342	-60	303.0
MWD133	74070	92155	342	-60	200.8
MWD134	73736	92100	342	-60	432.0
MWD135	74044	92366	342	-60	168.7
MWD136	73899	92602	342	-60	200.8
MWD137	73907	92651	342	-60	282.2
MWD138	73736	92209	342	-60	318.2

Co-ordinates are expressed in local grid

Table 2 - Analytical Results Summary

Hole No.	From (m)	To (m)	Interval (m)	Analysis (% WO₃)
MWD112	9	10	1	0.13
MWD112	29	39	10	0.27
MWD112	44	47	3	0.17
MWD112	90	91	1	0.18
MWD112	99	100	1	0.19
MWD113	20	21	1	0.35
MWD113	44	45	1	1.50
MWD113	139	147	8	0.17
MWD113	151	161	10	0.39
MWD114	67	69	2	1.72
MWD114	88	90	2	0.16
MWD115	0	8	8	0.21
MWD115	57	67	10	0.23
MWD115	70	78	8	0.25
MWD115	83	88	5	0.39
MWD115	101	103	2	0.15
MWD115	106	110	4	0.54
MWD115	112	115	3	0.17
MWD115	118	119	1	0.39
MWD115	122	127	5	0.27
MWD115	130	131	1	0.16
MWD115	134	158	24	0.44
includes	145	151	6	0.73
and	155	157	2	0.80
MWD115	289	294	5	0.24
MWD116	26	27	1	0.20
MWD117	57	66	9	0.54
includes	64	66	2	1.37
MWD117	73	79	6	0.53
MWD117	92	93	1	0.11
MWD117	221	222	1	0.18
MWD117	228	231	3	0.41

MWD119	91	94	3	0.32
MWD119	110	111	1	0.18
MWD119	127	138	11	0.21
includes	129	132	3	0.56
MWD119	278	279	1	0.47
MWD119	291	295	4	0.40
MWD119	302	322	20	1.27
includes	303	305	2	5.33
and	309	316	7	1.79
MWD119	336	340	4	1.79
includes	337	339	2	3.44
MWD119	367	368	1	0.35
MWD119	376	377	1	0.13
MWD120	0	6	6	0.36
MWD120	12	13	1	0.11
MWD120	20	21	1	0.17
MWD120	48	51	3	0.38
MWD121	28	31	3	0.13
MWD121	36	39	3	0.59
MWD121	227	233	6	0.26
MWD121	259	274	15	0.24
includes	260	265	5	0.44
MWD122	288	293	5	0.57
includes	289	291	2	1.02
MWD123	39	42	3	0.33
MWD123	45	53	8	0.54
includes	50	53	3	1.09
MWD123	62	63	1	0.81
MWD123	69	70	1	0.14
MWD123	74	75	1	0.52
MWD123	80	86	6	0.34
MWD123	98	107	9	0.61
includes	98	101	3	1.33
MWD123	295	296	1	0.13
MWD124	246	247	1	0.19
MWD124	253	255	2	0.17
MWD124	265	270	5	0.25

MWD124	275	276	1	0.34
MWD124	281	282	1	0.15
MWD124	294	295	1	0.13
MWD125	135	136	1	0.37
MWD125	158	159	1	0.11
MWD125	245	247	2	0.38
MWD125	304	306	2	0.24
MWD126	5	7	2	0.34
MWD126	33	34	1	0.23
MWD126	57	59	2	0.45
MWD126	66	67	1	0.14
MWD126	215	228	13	0.59
includes	217	220	3	1.56
MWD126	236	238	2	0.26
MWD127	24	30	6	0.18
MWD127	32	33	1	0.17
MWD127	35	38	3	0.33
MWD127	41	44	3	0.19
MWD127	46	50	4	0.12
MWD127	55	57	2	0.27
MWD127	72	77	5	0.19
MWD127	80	82	2	0.20
MWD127	85	89	4	0.19
MWD127	92	95	3	0.28
MWD127	102	150	48	0.35
includes	110	114	4	1.18
and	144	150	6	1.55
MWD127	193	194	1	0.27
MWD127	197	202	5	0.42
MWD127	260	261	1	2.52
MWD128	15	16	1	0.12
MWD128	188	193	5	0.22
MWD128	207	208	1	0.15
MWD129	85	86	1	0.38
MWD129	200	202	2	0.88
MWD130	18	20	2	0.11

MWD130	230	235	5	0.10
MWD130	240	242	2	0.63
MWD130	245	248	3	0.25
MWD130	255	256	1	0.55
MWD130	260	266	6	0.31
MWD130	268	269	1	0.16
MWD131	99	102	3	0.20
MWD131	122	133	11	0.48
MWD131	207	208	1	0.38
MWD131	214	216	2	2.29
MWD131	220	221	1	0.20
MWD131	226	228	2	0.17
MWD132	9	16	7	0.12
MWD132	23	25	2	0.11
MWD132	139	140	1	1.78
MWD132	273	274	1	2.93
MWD133	28	30	2	0.17
MWD133	43	45	2	0.17
MWD134	312	323	11	0.25
MWD134	326	330	4	0.19
MWD134	374	395	21	0.52
includes	378	382	4	1.45
MWD134	403	404	1	0.13
MWD135	26	28	2	0.15
MWD135	33	34	1	0.17
MWD135	40	41	1	0.25
MWD135	45	54	9	0.31
includes	50	52	2	0.95
MWD135	99	113	14	0.31
MWD135	131	133	2	0.52
MWD136	160	165	5	0.89
MWD136	166	168	2	0.16
MWD136	181	182	1	0.14
MWD137	2	3	1	0.14
MWD137	29	30	1	0.12

MWD137	32	40	8	0.25
MWD138	10	13	3	0.35
MWD138	15	17	2	0.10
MWD138	36	55	19	0.48
includes	44	46	2	1.01
and	49	51	2	0.91
MWD138	84	88	4	0.62
MWD138	294	296	2	0.32
MWD138	299	300	1	1.06

- 1. Analyses quoted are a mix of XRF and ICP (Inductively Coupled Plasma) methods.**
- 2. All samples are of full one metre intervals.**
- 3. Intercepts are down-hole, not necessarily true widths.**

Note: "The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Bruce Arthur Pertzel, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Pertzel 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 Pertzel 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 information refer to the company's website at www.vitalmetals.com.au or contact:

Mr Bill Ryan - Office: 08 - 9388 7742
Or - Mobile: 0417 172 923

23 April 2007

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

VITAL METALS LTD

ABN

32 112032596

Quarter ended ("current quarter")

31 MARCH 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A '000	Year to date (9 months) \$A '000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(1,485)	(4,941)
(b) development		
(c) production		
(d) administration	(383)	(1,254)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	65	181
1.5 Interest and other costs of finance paid	(3)	(9)
1.6 Income taxes paid		
1.7 Other (provide details if material) Other receipts received	2	2
Net Operating Cash Flows	(1,804)	(6,021)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments		
(c) other fixed assets	(18)	(84)
1.9 Proceeds from sale of: (a)prospects (b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material) Bonds	(10)	(41)
Net investing cash flows	(28)	(125)
1.13 Total operating and investing cash flows (carried forward)	(1,832)	(6,146)

+ See chapter 19 for defined terms.

Appendix 5B – Vital Metals Ltd
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,832)	(6,146)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	4,244
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	4,244
	Net increase (decrease) in cash held	(1,832)	(1,902)
1.20	Cash at beginning of quarter/year to date	4,849	4,919
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,017	3,017

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	124
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

The Company continued exploration activities during the quarter. A revised resource estimation for the Watershed project is expected during May 2007.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	N/A	
3.2 Credit standby arrangements	N/A	

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,700
4.2 Development	
Total	1,700

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	14	61
5.2 Deposits at call	3,003	4,788
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,017	4,849

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B – Vital Metals Ltd
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	80,850,003	74,900,003		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

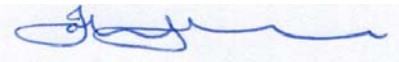
Appendix 5B - Vital Metals Ltd
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	2,830,000 options over fully paid shares 1:1		<i>Exercise price</i> 20 cents	<i>Expiry date</i> 30 June 2008
		2,000,000 options over fully paid shares 1:1		20 cents	30 June 2008
		800,000 options over fully paid shares 1:1		20 cents	9 March 2008
		550,000 options over fully paid shares 1:1		20 cents	1 June 2008
		150,000 options over fully paid shares 1:1		55 cents	14 November 2008
		175,000 options over fully paid shares 1:1		60 cents	9 January 2009
7.8	Issued during quarter	175,000 options over fully paid shares 1:1		60 cents	9 January 2009
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 23 April 2007

Print name: John Sobolewski

Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.