

REPORT FOR THE QUARTER ENDED 30 June 2010

Highlights

- Issues 12.5 million new shares and raises \$1m.
 - Completes Phase 1 Doulnia Drill Programme; shallow, high grade, wide, gold intersections.
 - Completes Phase 1 Doulnia soil & rock chip sampling; results due soon.
 - Completes Phase 1 Doulnia geological mapping programme.
 - Completes high definition aeromagnetic survey; independent interpretation underway.
 - Applies for 2 new Exploration Permits adjacent to Doulnia project area.
 - Sale of Mt Mulgine tungsten project; transaction due for completion 15th August.
 - Attracts sophisticated European investors to share registry.
-

Corporate

During the quarter Vital Metals Limited [Vital] announced the resignation of Non-Executive Director Paul Benson. Vital Board and Management thank Paul for his valuable contributions and wish him every success at Aragon and beyond.

During the quarter, Vital completed a \$1 m fund raising, by issuing 12.5 million new shares 8c per share. 186 million shares on issue.

Cash Balance

Vital had a cash balance of \$2 034 000 at 30 June 2010. Vital will receive a further \$425 000 upon the completion of the Mt Mulgine transaction. Vital has sufficient working capital to meet all of its obligations and budgeted expenditure.

Operations

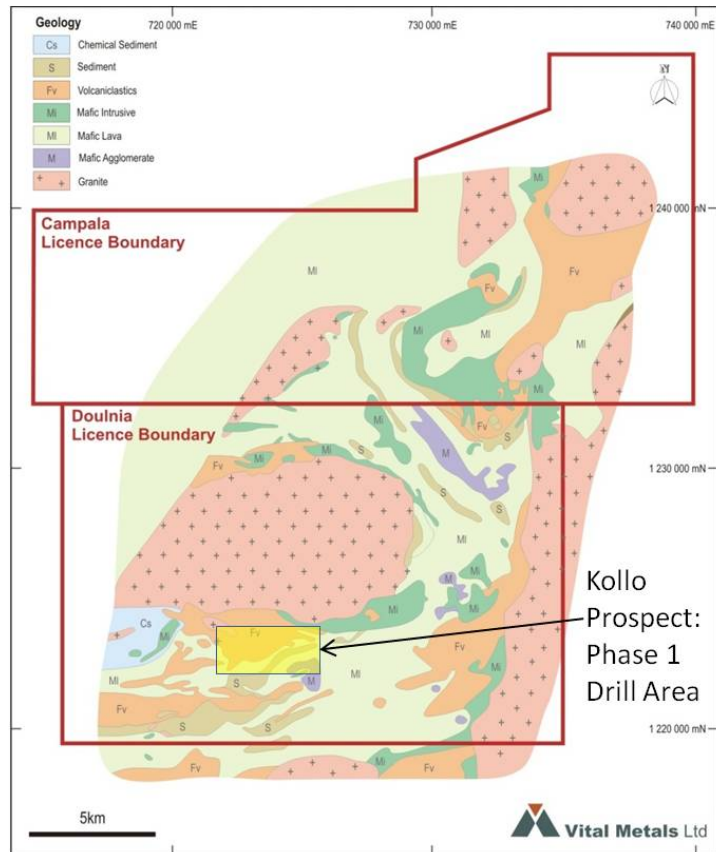
Doulnia, Burkina Faso

During the June quarter Vital completed the first-ever gold-targeted drilling at Doulnia. The results of this "Phase 1 Drill Programme" were in-line-with or above expectations, with a number of shallow, high grade, wide gold intersections reported to ASX on 25th May.

Best results include:

- KRC001: **18m @ 2.95g/t Gold** from 37m
(incl. **4m @ 4.28 g/t Gold** from 45m & **2m @ 9.56g/t Au** from 53m)
- KRC001: **4m @ 18.71g/t Gold** from 76m (ended in mineralisation)
- KRC010: **5m @1.70g/t Gold** from 30m

- KRC018: **2m @ 3.63g/t Gold** from 41m
- KRC019: **31m @ 3.19g/t Gold** from 34m
(incl. **2m @ 16.91g/t Gold** from 41m)



Geological map of Vital's current Doulnia Project area, showing the location of the Kollo Prospect and the bounding rectangle of the Phase 1 Drill Programme

The 24 Reverse Circulation (RC) drill holes of the Phase 1 Drill Programme tested around 4.6 km of strike of the sub-outcropping ENE trending structure within the Kollo Prospect, with 58% of drillholes intersecting >0.5g/t Au. Two short "drill fences" of multiple, angled and overlapping drill holes were completed across a portion of the structure's strike, whilst the majority of other drillholes were individual drillholes into isolated outcropping targets. Significantly, the drill fences which more adequately tested the structure identified two geographic areas containing the significant results reported above. Both of these areas will be further tested in the next phase of drilling.

At the Kollo Prospect, Phase 1 soil sampling on a 200 x 50m grid and simultaneous rock-chip sampling programmes have been completed. Assay results for more than 900 soil and 55 rock-chip samples have been received and are being cross-checked and processed for presentation as a colour-coded contour map. This soil and rock chip map is due for release in the next fortnight. Staged soil and rock chip sampling programme will continue at Doulnia for the foreseeable future. Sampling rates are exceeding those set out in the 2010 Doulnia work programme.

Vital is blessed with an abundance of (sub)outcrop within the Doulnia project area. This allows for cost-effective geological and structural mapping. Vital has completed Phase 1 geological mapping of the Kollo

Prospect area. Mapping continues in parallel with soil and rock chip sampling and may be further enhanced in 2012 with post graduate geology students from South Africa and/or Western Australia.

Vital completed the acquisition of high density (100m line spaced) aeromagnetic and radiometric data over the Doulnia project area, totalling around 4000 line kilometres. This data has been received and processed. Vital has completed an in-house interpretation of the data and is of the opinion that the structural architecture of the Doulnia project area is highly prospective for shear-zone hosted gold. The data package is with Fugro Airborne Services for independent structural and lithological interpretation, due for completion and release in mid August.

Vital has collected a suite of around 780 surface rock-chip samples for hyperspectral analysis, using CSIRO's automated HyLogger. Hyperspectral analysis has been shown to effectively map regional-to-local alteration haloes around large gold deposits and significantly increases our understanding of critical ore-forming fluid flow. Vital has engaged leading American geochemical consultant Dr Sue Driberg of Geochemical Services Pty Ltd, to oversee the processing, interpretation and integration of the hyperspectral data with Vital's rapidly evolving datasets, described above. This exercise will feed into the development of a comprehensive list of quantitatively-ranked exploration targets, which Vital plans to complete and release in September.

In the 7 months since Vital has taken over management of the Doulnia project, our understanding of the metallogenic potential of the project area has increased substantially. As the disparate datasets described above, have been assembled and analysed, including Doulnia's favourable geotectonic setting at, or near to, the intersection of the Markoye Fault Corridor (host of Essakane, Tarpako, Kiaka, Bombore and Youga gold deposits of >13moz combined resource/ reserve) and the 1200km long Bole Shear Zone (host to Castle Resources' Wa project), we have become more convinced than ever of Doulnia's gold prospectivity.

We have backed our belief in the Doulnia area, by recently lodging 2 new Exploration Permit applications; "Zeko" adjacent to Doulnia and "Mediga" adjacent to Campla Permits. Vital Metals will then have access to a contiguous land holding of over 900km², which enhances our operational and strategic capacity and flexibility.

Doulnia's outstanding geological attributes, our vision and capabilities, have also been recognised by prestigious London investment managers Williams De Broe, whose European clients recently acquired 29.5m Vital shares.

The rainy season has begun in southern Burkina Faso, however soil and rock chip sampling and mapping will continue unabated. Vital has discussed with Burkina Faso based drilling companies the potential for access to highly sought after track-mounted RC drill rigs, in an effort to bring forward its Phase 2 drill Programme to late August / early September. Vital will inform the market if/when a suitable rig is sourced to achieve this objective, otherwise the next round of drilling will commence at the end of the rainy season in November.

Watershed, Queensland

During the quarter Vital has updated the Watershed financial model using CRU's predicted Tungsten prices extrapolated to the end of mine life, current USD:AUD exchange rates and more recent estimates of mining costs. Using a discount rate of 12.5% and these input parameters, Watershed's predicted internal rate of return is close to, but not yet at, Vital's required benchmark. Vital will continue to monitor fluctuations in market conditions and update the financial model, to take advantage of improved economics at the earliest opportunity.

Work continued on the investigation and compliance issues related to progression of the Watershed EIS, including the monitoring of groundwater flows and the like.

The camp at Watershed remains on a care and maintenance basis.

The information in this report that relates to exploration results is based on information compiled by Dr Howard Carr, who is a Member of the Australasian Institute of Geoscientists. Dr Carr 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". Dr Carr 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

Or Contact:

**Dr Howard Carr
CEO & MD**

**Vital Metals Ltd
Level 1, 335 Hay Street, Subiaco WA 6008
PO Box 8243, Subiaco East WA 6008
Telephone: +61 8 9388 7742
Fax: +61 8 9388 0804
Email: vital@vitalmetals.com.au
Website: www.vitalmetals.com.au**

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 LIMITED

ABN

32 112 032 596

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(417)	(1,068)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	22	44
1.5	Interest and other costs of finance paid	-	(12)
1.6	Income taxes paid		
1.7	Other receipts	23	32
	Net Operating Cash Flows	(731)	(2,037)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	-	(2)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	25	45
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material) Bonds		
	Net investing cash flows	25	43
1.13	Total operating and investing cash flows (carried forward)	(706)	(1,994)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(706)	(1,994)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,157	2,900
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from convertible note	-	500
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other: Share issue costs	(237)	(237)
	Net financing cash flows	920	3,163
	Net increase (decrease) in cash held	214	1,169
1.20	Cash at beginning of quarter/year to date	1,820	865
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,034	2,034

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	98
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director fees

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

-

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

-

+ See chapter 19 for defined terms.

For personal use only

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	500	500
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
Total	150

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	54	70
5.2 Deposits at call	1,980	1,750
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,034	1,820

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	-	-	-	-
6.2	-	-	-	-

+ See chapter 19 for defined terms.

For personal use only

Appendix 5B
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	186,319,777	186,319,777		
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities	1	Nil	\$500,000	\$500,000
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted or redeemed	(1)	-	(\$500,000)	(\$500,000)
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise Price</i>	<i>Expiry Date</i>
	2,000,000		40 cents	30 June 2011
	1,400,000		12 cents	20 February 2011
	2,000,000		20 cents	17 November 2011
7.8 Issued during quarter	2,000,000	-	20 cents	17 November 2011
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	600,000 350,000	-	12 cents 40 cents	20 February 2011 17 September 2010
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

For personal use only

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 ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 30 April 2010
(Company Secretary)
Print name: Manraj Khosa

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.

====

+ See chapter 19 for defined terms.

For personal use only