

Report for Quarter ended 30 September 2007

Highlights

- **Appointment of Managing Director/CEO – to commence in January 2008.**
- **Successful completion of placement and rights issue to raise \$13.5m (before costs).**
- **Recent drilling confirms extension to scheelite mineralisation in new zones 250m to the south and 500m to the north of the current resource at Watershed.**
- **Two adits completed to extract bulk samples for final metallurgical testing program.**
- **Access road design almost completed by Mareeba Shire.**
- **Marketing negotiations continuing.**
- **Approvals obtained and drilling planned at Mt Mulgine in WA for December 2007 quarter.**

Corporate

Management

The company is pleased to announce the appointment of experienced mining professional Andrew (Andy) Haslam as the Company's new Managing Director and Chief Executive Officer.

Mr Haslam, (48), is currently Mining Manager for Thiess Pty Ltd's operations in Western Australia and South Australia with primary responsibility for the BHP Billiton – Thiess Mining Alliance at the Mt Keith nickel operation in WA and Oxiana Ltd's Prominent Hill copper / gold mine in SA

Mr Haslam holds a Graduate Diploma in Mining from Ballarat University and a Diploma of Extractive Industries Management from SEM College in WA. He has over 25 years of wide-ranging experience in mining operations, the past 14 of these in open cut contracting.

Mr Haslam began his mining career at the Bluebird mine with Endeavour Resources Ltd (now St Barbara Mines) and later became Mine Superintendent at Dominion Mining Limited's Labouchere gold operation.

Mr Haslam's subsequent contracting career highlights include:

- **Operations Manager at AWP Contractors (7 years) and Henry Walker Eltin (8 years) responsible for open cut mining operations for multiple clients, including Dominion Mining, Great Central Mines, Otter Gold Mines and BHP Billiton Iron Ore.**

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- Project Manager and Registered Mine Manager for BHPB's Yandi iron ore mine (2000 to 2002). Construction Manager for the new 5.5 mtpa ore processing plant.
 - Successful start-up and construction of mine infrastructure at Oxiana Limited's Prominent Hill mine in South Australia.

The Company will ask shareholders to approve an appropriately-structured options incentive package at the forthcoming Annual General Meeting on November 22, 2007.

Andy will commence with Vital on 3 January 2008.

Financial

Following the placement of 11 million new shares at \$0.60 reported in the June quarterly report, the planned pro-rata rights issue of 11,506,250 new shares, also at \$0.60 and 5,753,125 attaching options, issued on the basis of 2 new shares and 1 option for every 16 shares held was also completed to raise a further \$6.9 million (before costs) was completed. The options are listed on the ASX and are exercisable in August 2008 at a price of \$0.80 each.

The funds raised are being used principally towards the completion of the Feasibility Study on the Watershed Tungsten Project in far North Queensland.

Vital Metals Ltd now has on issue 104.85m shares, 5.75m listed options, exercisable at \$0.80 and 5.55m unlisted option exercisable at various prices. Cash at bank as at 30 September 2007 was \$11.5 million.

Watershed Project

Resource Drilling

Drilling has continued at Watershed during the quarter with confirmation of additional mineralisation within the current resource boundaries and, more recently, with confirmation of new zones of high-grade mineralisation at shallow depths in two new targets as extensions to the main zones. These shallow zones of high-grade mineralisation may have particular significance for mine planning in the early years of an operation and will be the subject of immediate follow-up diamond drilling.

Highlights of the infill diamond drill program was a Project-best intercept of 47 metres at 0.71% WO₃ from 73 metres down-hole in Hole MWD145 (including 3 metres at 4.38% WO₃ from 101 metres). The same hole also intersected 5 metres at 1.01% WO₃ from 28 metres. This hole is located in the northern section of the resource area which has not previously been drilled by Vital.

Infill diamond core drilling has also been in progress in the 'central' section between the western and eastern zones of the deposit. This central zone is located in steep terrain and it was not feasible, during last year's campaign, to drill in this area and, as a consequence, it was omitted from the previous resource estimate. The results of the only two of these holes for which analytical data are available are most encouraging as they suggest reasonable continuity of mineralisation between these two zones.

At present the drilling program is restricted to a single diamond rig with the second diamond rig having left site and a reverse circulation (RC) rig having just completed an initial trial program. A second, new, diamond rig is expected at site before mid-October.

The modest (1297 metre) RC program has confirmed the presence of two new areas of strong mineralisation well outside of the limits of the currently defined resource. This is the first time RC drilling has been used at Watershed.

These new scheelite occurrences have been confirmed in multiple quartz vein swarms at shallow depths in a zone situated some 300 metres south of the current limits of the Watershed deposit and in another new area about 500 metres north of the known mineralisation. The zones are shown on the accompanying map.

The five RC holes drilled in the south-western target zone, which is located between 200 and 330 metres south of the known southerly limits of the Watershed Deposit, confirmed the presence of at least four new mineralised quartz vein swarm zones and verified the zone intercepted in MWD006 – the only diamond drill hole in the area, which was drilled by Utah in 1982.

Significant intercepts were encountered in three of the four drill holes situated on Section Line 73780E over a distance of 130 metres with best intervals of 6 metres at 1.08% WO_3 from 14 metres down-hole in MWD169 and 17 metres at 0.36% WO_3 from 15 metres in MWD170, including two 2 metre intervals grading above 1%.

At a position 500 metres north of the northern limit of the known extent of the deposit, the RC drilling has indicated the presence of additional quartz vein swarm zones carrying scheelite, with a best intercept of 10 metres of 0.82% WO_3 from 42 metres in Hole MWD157, including 2 metres of 2.74% WO_3 from 44 metres.

A new drill rig has now arrived at site and will commence diamond core drilling of this new southern zone immediately.

Details of the holes drilled are included in the Tables attached to this report.

Metallurgical

Two bulk sampling adits have been driven into the eastern and western sections of the deposit in order to extract two 100 tonne bulk samples for final metallurgical development work, including very detailed trials of the Ore Sorting process – Vital has purchased its own Ore Sorting prototype for use in these trials – and pilot-scale gravity and flotation development tests.

These samples have now been freighted to Perth and sample preparation has begun. The overall cost of the metallurgical program from the start of the Project study to completion of the Feasibility study is now estimated at \$2.7 million.

Environmental

The reports which form the bulk of the EIS are approaching completion and it is anticipated that this document will be essentially ready for submission to the Queensland EPA in the next month although a number of matters relating to the mining design, final treatment plant circuitry and settling characteristics of the tailings await progressive information.

This will be followed by several periods of interaction with various authorities and periods of public exposure and comment.

Infrastructure

The company has made significant progress on the overall assessment and design of the various parts of the infrastructure which will form part of any overall mine development.

The factors involved and those parties involved are summarised in the list below:

- **Access Road:** Survey, design, specifications and preparation of tender documents: Civil Engineering Division, Shire of Mareeba - approximately 90% complete.
- **Power Supply:** Routing and design of transmission line and associated transformers etc, Hill, Michael & Associates, concept design 40% complete.
- **Tailings storage:** Coffey Geotechnics, concept design 65% complete.
- **Accomodation village:** Universal Sodhexo and Decmil – concepts and estimates pending.
- **EIS:** Environmental & Licencing Professionals and Muddyboots – 85% complete.
- **Metallurgical Flowsheet Development:** John McIntyre & Associates.
- **Overall Co-ordination:** Vital Metals Ltd – in-house.

Mt Mulgine WA (Vital earning 70%)

Following lengthy delays involving completion of Aboriginal Heritage and Botanical Surveys, Government approval has been obtained to conduct a 14-hole RC drill program at the Mt Mulgine Project. These holes will test ten new targets generated by a detailed three-dimensional Inversion Model which was compiled incorporating ground gravity, magnetics, previous drilling, surface geochemistry, satellite imagery and geology in 2006/07. One of these targets is located within the current limits the huge 'Trench' tungsten/molybdenum deposit, with the rest designed to test new prospective areas.

A drill rig has been secured and it is anticipated that the drilling will commence in early December.

Mt Alexander WA (Vital 100%)

Processing of the aeromagnetics and radiometrics survey was completed and interpretation is in progress. Initial analysis has identified several targets which will be followed up once confirmed.

Table 1 Detail of RC Drill Holes:

Drill Hole ID	Easting	Northing	Azimuth (Magnetic)	Declination (degrees)	Total Depth (Metres)
MWD156	73756	93290	72	60	76
MWD157	73822	93309	65	60	67
MWD158	73790	93279	342	60	58
MWD159	74047	93098	72	60	61
MWD161	73734	93062	50	60	102
MWD164	73828	92813	45	60	120
MWD165	73709	91878	342	60	70
MWD167	73773	91757	342	60	117
MWD168	73781	91900	342	60	120
MWD169	73781	91850	342	60	120
MWD170	73778	91803	342	60	126
MWD186	73780	93206	342	60	64

Co-ordinates are expressed in local grid

Table 2 Details of Diamond Drill Holes:

Drill Hole ID	Easting	Northing	Azimuth (Magnetic)	Declination (degrees)	Total Depth (Metres)
MWD139	74105	92090	072	-60	307.2
MWD140	74050	92410	079	-60	288.6

Drill Hole ID	Easting	Northing	Azimuth (Magnetic)	Declination (degrees)	Total Depth (Metres)
MWD141	74055	92410	342	-60	147.6
MWD142	74055	92045	342	-60	276.6
MWD143	73850	92650	342	-60	139.0
MWD144	74005	92700	342	-60	131.3
MWD145	73937	92700	342	-60	204.0
MWD146	73850	92550	342	-60	179.3
MWD147	73885	92700	342	-60	201.4
MWD148	73850	92500	342	-60	126.0
MWD149	73950	92310	342	-60	321.7
MWD151	73900	92750	342	-60	140.0
MWD152	73855	92350	342	-60	269.5
MWD153	73950	92750	342	-60	198.2
MWD154	73950	92650	342	-60	249.3
MWD155	73640	92200	342	-60	345.3
MWD160	73640	92300	342	-60	131.3
MWD162	73855	92250	342	-60	338.5

Co-ordinates are expressed in local grid

Table 3 Summary of Mineralised Intercepts RC Drilling:

Hole Number	From (m)	To (m)	Interval (m)	% WO3
MWD156	6	8	2	0.17
MWD157	42	52	10	0.82
Includes	44	46	2	2.74
MWD165	13	18	5	0.32
MWD165	25	29	4	0.74
MWD165	60	62	2	0.25
MWD167	14	15	1	0.13
MWD167	32	35	3	0.16
MWD167	38	40	2	0.23
MWD167	65	69	4	0.58
MWD169	14	20	6	1.08
MWD169	34	37	3	0.26
MWD169	42	46	4	0.59
MWD169	82	83	1	0.23
MWD170	15	32	17	0.36
Includes	15	17	2	1.11
And	25	27	2	1.03
MWD170	49	50	1	0.11
MWD170	85	86	1	0.16
MWD170	96	97	1	0.18

Hole Number	From (m)	To (m)	Interval (m)	% WO3
MWD170	100	105	5	0.34
MWD170	110	112	2	0.31
MWD186	12	20	8	0.29
MWD186	28	32	4	0.37

NOTE: Only intercepts that are either greater than 1 metre or 0.20% WO₃ are listed

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.

Table 4 Summary of Mineralised Intercepts Diamond Core Drilling:

Hole	From (m)	To (m)	Interval (m)	% WO3
MWD139	290	291	1	0.26
MWD140	141	145	4	0.54
MWD141	33	35	2	0.19
MWD141	38	41	3	0.31
MWD141	56	58	2	0.14
MWD141	67	75	8	0.85
MWD142	136	145	9	0.16
MWD142	203	204	1	0.55
MWD142	212	213	1	0.33
MWD142	228	229	1	0.24
MWD143	2	4	2	0.12
MWD143	14	16	2	0.10
MWD143	44	46	2	0.13
MWD143	67	71	4	0.31
MWD143	74	64	10	0.47
MWD143	86	88	2	0.28
MWD143	92	96	4	0.58
MWD144	6	10	4	0.66
MWD144	79	80	1	0.62
MWD144	97	98	1	1.11
MWD144	116	118	2	0.20
MWD145	28	33	5	1.01
MWD145	40	41	1	0.39
MWD145	73	120	47	0.71
Including	101	104	3	4.38
MWD145	172	178	6	0.55
MWD146	78	83	5	0.19
MWD146	94	99	5	0.16
MWD146	102	107	5	0.35
MWD147	0	4	4	0.13
MWD147	7	13	6	0.20

Hole Number	From (m)	To (m)	Interval (m)	% WO3
MWD147	18	32	14	0.46
Including	18	21	3	0.93
MWD147	34	40	6	0.21
MWD147	57	60	3	0.09
MWD148	37	49	12	0.20
MWD148	70	72	2	0.18
MWD149	62	67	5	0.22
MWD149	69	77	8	0.33
MWD149	86	97	11	0.61
MWD149	102	105	3	0.89
MWD149	178	179	1	0.24
MWD149	223	227	4	0.28
MWD149	231	234	3	0.69
MWD149	251	252	1	1.21
MWD149	285	286	1	0.39
MWD151	17	19	2	0.11
MWD152	110	117	7	0.21
MWD152	141	142	1	0.58
MWD152	148	149	1	0.26
MWD152	194	196	2	0.16
MWD152	228	231	3	0.90
MWD152	233	234	1	0.16
MWD152	244	245	1	0.33
MWD152	251	254	3	0.82
MWD153	24	26	2	0.66
MWD153	46	48	2	0.65
MWD153	50	52	2	0.19
MWD153	54	55	1	0.18
MWD153	58	60	2	0.74
MWD153	63	64	1	0.24
MWD153	67	68	1	0.25
MWD153	72	76	4	0.20
MWD153	81	87	6	0.30
MWD153	149	151	2	0.15
MWD153	157	159	2	0.19
MWD154	29	33	4	0.48
MWD154	51	57	6	0.32
MWD154	61	62	1	0.21
MWD154	122	123	1	0.42
MWD154	125	127	2	0.12
MWD154	130	131	1	0.10
MWD154	198	199	1	0.48
MWD154	207	208	1	0.30

Hole Number	From (m)	To (m)	Interval (m)	% WO3
MWD155	54	61	7	0.27
MWD155	75	77	2	0.16
MWD155	256	257	1	0.15
MWD155	258	269	11	0.21
MWD155	317	318	1	0.19
MWD155	328	329	1	0.19
MWD155	330	336	6	0.89
Includes	333	336	3	1.58
MWD162	14	15	1	0.19
MWD162	150	155	5	0.38
MWD162	158	159	1	0.15
MWD162	184	186	2	0.33
MWD162	191	201	10	0.45
MWD162	206	208	2	0.32
MWD162	218	220	2	1.08
MWD162	264	265	1	0.13
MWD162	266	267	1	0.13
MWD162	269	270	1	0.42
MWD162	275	276	1	0.15
MWD162	286	287	1	0.16

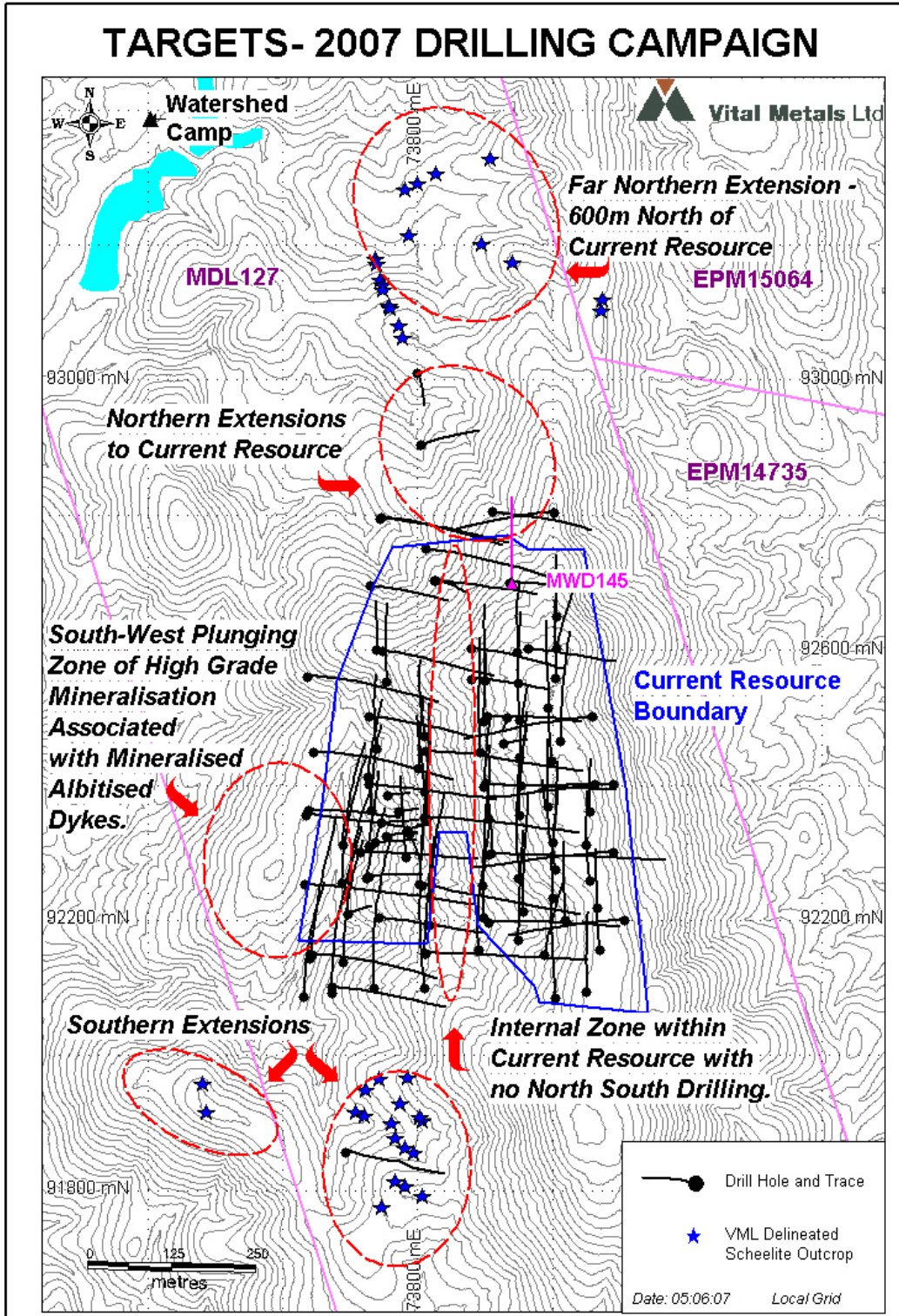
NOTE: Only intercepts that are either greater than 1 metre or 0.20% WO₃ are listed

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.

TARGETS- 2007 DRILLING CAMPAIGN



Note: "The information in this report that relates to exploration results 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:

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23 October 2007