

ASX / Media Announcement 25 May 2011

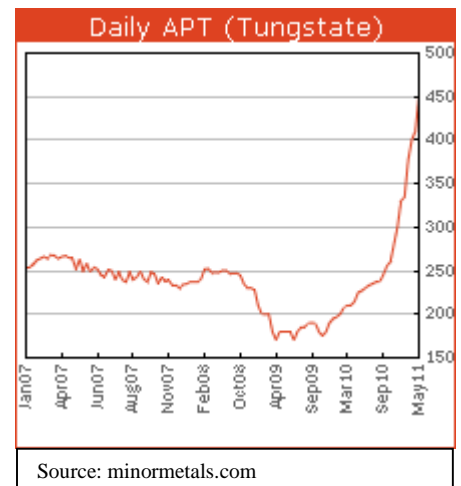
AGREEMENT WITH JOGMEC TO FUND WATERSHED TUNGSTEN BFS

Vital Metals Ltd (ASX: VML) is pleased to announce it has entered into an Earn-In Agreement over the Company's 100% owned Watershed Tungsten Project in Queensland, with Japan Oil, Gas and Metals National Corporation (JOGMEC).

Chairman David Macoboy said under the terms of the Agreement, JOGMEC can earn 30% of the Watershed Project by spending \$5.4 million over a period of just under two years (by March 2013) to fund completion of a Bankable Feasibility Study (BFS) for the Project - which has attracted renewed market interest following Chinese export restrictions of tungsten to meet that country's own internal demands.

"This has the potential to be a defining agreement in the history of the Watershed Project. Our ability to attract such a credible partner reinforces our own confidence in the value of this Project, particularly against the backdrop of reduced global supply and rising tungsten prices."

"Watershed is a highly prospective tungsten project; with a JORC code compliant Indicated Resource of 15.3mt @ 0.46% WO₃ and with a Prefeasibility Study previously completed. Importantly, Chinese export restrictions have given rise to a marked increase in the price of tungsten with the status quo unlikely to change significantly in the near-term. Spot Tungsten (APT) prices have risen from US\$250 per mtu in September 2010 to US\$450 per mtu currently."



Mr Macoboy said the Agreement is subject to a number of conditions precedent, including a 90-day due diligence period by JOGMEC, and Foreign Investment Review Board (FIRB) approval.

Should the Agreement proceed, JOGMEC will make the \$5.4 million payment in a series of installments over the Earn-In period, including an initial payment of \$800,000 by 30 September 2011, and subsequent payments of \$2.0 million and \$2.6 million by 31 March 2012, and 31 March 2013 respectively.

Vital would continue to operate the Watershed Project on behalf of the Joint Venture, and has appointed consultant, Doug Stewart as Special Advisor to the Joint Venture, to advance the Project to BFS stage.

Mr Stewart is a Fellow of both the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. He has 40 years technical and commercial experience in the resources sector in a broad range of consulting, senior technical and operational roles in multiple commodities and across three continents.

ENDS

Competent Person's Statement

The information in this announcement that relates to exploration results is based on information compiled by Ms Libby Colgan, who is a Member of the Australasian Institute of Geoscientists. Ms Colgan is an independent consultant 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". Ms Colgan consents to the inclusion in the announcement of the matters based on the information in the form and context in which it appears.

About Vital Metals

Vital Metals Ltd is an Australian-based mineral exploration and development company focused on progressing two highly prospective mineral projects: The Doulunia Gold Project in southern Burkina Faso, West Africa and the advanced Watershed Tungsten Project in far north Queensland, Australia.

Watershed Tungsten Project - Queensland

The Watershed scheelite (calcium tungstate) Project, in far North Queensland, 150 kilometres north-west of Cairns, is the Company's flagship venture. Vital has completed the pre-feasibility stage at the Project which has a JORC code compliant Indicated Resource of 15.3mt @ 0.46% WO₃. The Company has also been progressing environmental approvals for Watershed, which is being assessed under the EIS process. The Watershed Project has attracted considerable attention due to recent, strong increases in the price of tungsten largely attributable to Chinese export restrictions.

Doulunia Gold Project – Burkina Faso

In December 2009, Vital entered into a farm-in agreement with Ampella Mining Ltd to earn up to 80% of the Doulunia Gold Project in southern Burkina Faso, West Africa. Vital has completed a comprehensive review of previous exploration and the regional to local geophysical, structural, geological and geochemical attributes of the Project.

The Phase 1 drill programme confirmed the highly prospective nature of the project in general and the Kollo Prospect in particular and the current Phase 2 programme is aimed at expanding that potential.

About JOGMEC

Japan Oil, Gas and Metals National Corporation (JOGMEC) was established in 2004. JOGMEC is Government owned and integrates the functions of the former Japan National Oil Corporation, which was in charge of securing a stable supply of oil and natural gas and the former Metal Mining Agency of Japan, which was in charge of ensuring a stable supply of nonferrous metal and mineral resources and implementing mine pollution control measures. It has an annual budget of around 1,564 billion yen (\$18B) and provides financial assistance, technology development and technical support to Japanese companies and their foreign partners.

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

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